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NEWS SUMMARY

GENERAL

Signs of revolt over cuts in defence

First signs of a revolt within the Government over cuts in defence spending emerged when Navy Minister Keith Speed warned that he would *not accept drastic reductions in* Britain's surface fleet.

In what is seen as a direct appeal to the Cabinet over the head of Defence Secretary John Nott, Mr. Speed appears to reflect concern among many Conservatives that despite his move to the defence portfolio in the last Cabinet reshuffle, Mr. Nott is more interested in tight monetary control than strengthening defence forces. **Back Page**

Airport bombs

The Pan Am terminal at New York's Kennedy Airport was evacuated after a pipe bomb *was discovered. On Saturday a* similar bomb killed an airport worker and another was defused by a bomb squad. A Puerto Rican group said it planted the devices.

Rees' Ulster hint

Former Northern Ireland Secretary Merlyn Rees hinted that Labour might drop the commitment of successive governments that Ulster should remain part of the UK as long as a majority of the population there so wish. **Ulster polls, Page 7**

Tax burden

The latest tax and price index will embarrass the Treasury by showing how the last Budget and increased National Insurance contributions have squeezed real incomes. It will show an annual rate of increase 3 to 3½ points faster than the Retail Prices Index. **Back Page**

Border clash

China said its forces killed more than 150 Vietnamese soldiers who crossed the border into a Chinese commune under cover of heavy artillery fire.

Soviets thwarted

Madrid *police stopped* Soviet Embassy staff escorting on to a Moscow-bound aircraft a naval engineer, Vladimir Butkin, who had gone missing after asking for political asylum in Spain.

Pope's pardon

Pope John Paul II said he pardoned Mehmet Ali Agca, who shot him last week, and was praying for the gunman. The Pope's address, recorded in his hospital room, was relayed to *crowds in St. Peter's Square.*

Reutemann wins

Carlos Reutemann of Argentina won the Belgian Grand Prix at Zolder, after heavy rain shortened the race. His world championship rivals, Nelson Piquet and Allan Jones, both crashed.

Mammoth task

Soviet scientists plan to recreate the extinct mammoth *by implanting in an elephant's* womb cells from a specimen found perfectly preserved in Arctic ice.

Seeing the joke

Mrs Margaret Thatcher will attend a charity performance at the Whitehall Theatre of "Anyone for Denis?", *a satire* on life at 10 Downing Street.

Briefly . . .

Man was beheaded in Mahayel, Saudi Arabia, for drowning his wife in the village well.

Australia has sent a team to Britain to recruit more than 100 air traffic controllers.

BUSINESS

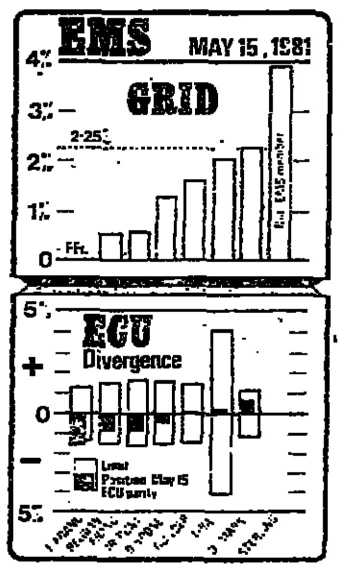
Europe seeks Japan car curb

● **EUROPE'S** leading car manufacturers are to step up their campaign for official EEC action against imports of Japanese cars. Attempts to arrange voluntary restraint *failed.* **Back Page**

● **LLOYD'S** fears that its private Bill, facing growing opposition, will need extensive revi*sion if it is to succeed.* **Back Page**

● **COAL** consumption in the UK is likely to fall in the next 20 years, says a report which rejects NCB and Government forecasts of growth. **Back Page**

● **COSTA RICA'S** precarious financial state is causing banks increasing concern. Last week the country said it had sold $50m of gold from reserves. **Back Page**



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU) itself a basket of European currencies.

● **VICTORY** for the Socialists in the French Presidential election and the firmer trend in U.S. interest rates were the major factors in the foreign exchange market last week.

The French franc suffered a sharp fall on Monday, and remained weak despite several moves by the Bank of France to assist it, including direct support of more than $2bn, and a *rise of 4½ percentage points to* 18 per cent in the authorities' money market intervention rate.

Heavy selling pushed the franc below its EMS alarm bell divergence limit. It was generally at or below its minimum cross rate limit against the D-mark.

Despite the D-mark's strength at the top of the EMS, intervention by the Bundesbank was unable to prevent the dollar rising above DM 2.30, from DM 2.2530 at the end of the previous week

● **GOVERNMENT** guarantee scheme for small business bank loans will probably not be fully implemented until after June 1, the due date. **Page 6**

● **U.S.** international airlines' demand for a 180-day moratorium on the take-up of new route rights by foreign airlines was rejected by the Reagan Administration. **Back Page**

● **BRITISH** Caledonian Airways asked its 6,000 staff to forego an agreed 8 per cent pay rise to help it through the recession. **Page 8**

● **BPC**, the printing group, expects to end losses by the end of the year and be back in profit in 1982. **Page 18; Lex, Back Page**

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Israel gives U.S. envoy more time to help solve Lebanese crisis

BY DAVID LENNON IN TEL AVIV

THE Israeli Cabinet yesterday decided to give Mr. Philip Habib, special U.S. envoy, more time to seek a solution to the Lebanese missile crisis.

Mr. Menahem Begin, Prime Minister, said the Government had resolved not to set any time limit on the diplomatic efforts to defuse the confrontation between Israel and Syria.

This appears to be a change of approach by the Cabinet. Earlier it said Israel could not wait indefinitely for the Syrians to remove the anti-aircraft missiles stationed in Lebanon more than two weeks ago.

Mr. Begin said after the Cabinet meeting: "As long as we do not reach the final conclusion that the diplomatic process has ended, we will always be hopeful and will allow it to continue because we do not want war." *Israel* has said it will destroy the missile batteries if they are not withdrawn.

Mr. Begin said that at their *meeting on Friday* Mr. Habib had not been able to report any progress. He hoped the Saudis, "who have lots of money," would be able to persuade Syria to withdraw the missiles. Mr. Begin said the envoy would travel from Saudi Arabia to Damascus before returning to Israel on Monday night or Tuesday.

It is understood that the U.S. Embassy in Tel Aviv yesterday was considering plans for evacuating some *embassy staff dependants.* It denied there had been a specific planning meeting yesterday, but officials admitted that "the subject has been in the air" since the decision of the Beirut embassy on Saturday to withdraw some dependants and to advise American nationals to leave the country.

American aircraft carriers were moved into the eastern Mediterranean in recent days, apparently both as a counter *to the presence of a Soviet* naval force and because the ships may be needed if an evacuation of U.S. nationals from the area is ordered.

The Cabinet yesterday criticised the Opposition Labour Party for its attacks on Government policy during the crisis. Some Ministers said the Labour Party was causing demoralisation and was lacking national responsibility.

Mr. Shimon Peres, Labour Party leader, yesterday accused Mr. Begin of shattering the national consensus over Lebanon by committing Israel to defend another nation.

Habib pursued his attempts

Our Foreign Staff adds: Mr. to avert a war yesterday when he held talks in Saudi Arabia. It was hoped that Saudi Arabia, which supply the funds for the purchase of most of Syria's Soviet-made weapons, could bring pressure on Damascus to pull back from the brink.

Despite a warning in the Communist Party Newspaper Pravda yesterday that a "large-scale explosion could occur at any moment" between Syria and Israel the Soviet Union is believed to be urging caution on the Syrian leadership.

Reuter reports from Beirut: Christian and Moslem forces fought a fierce artillery duel today in the heaviest fighting in the Lebanese capital for nearly a week.

Each side accused *the other* of starting the shelling, which occurred only hours after Mr. Shafiq Al-Wazzan, Lebanese Prime Minister, appealed to the U.S. and *Soviet Union* to stop the missile crisis between Syria and Israel turning into war.

Israelis far from united. Page 2

Union-Government rift widens over Civil Service pay

BY PHILIP BASSETT, LABOUR STAFF

THE GOVERNMENT and the Civil Service unions appeared to move further apart yesterday as the increasingly bitter pay dispute entered its 11th week.

Mr. Barney Hayhoe, Civil Service Minister, said that he hoped for talks this week with the unions, but was adamant that no improvements would be made to the offer of 7 per cent this year to the 530,000 white-collar civil servants.

His statement drew a fierce reply from Mr. Bill Kendall, secretary-general of the Council of Civil Service Unions. He said: "Until the Government responds to the detail of our claim for 1981 we will not discuss any other proposal with them."

The unions have claimed *increases of 15 per cent this* year.

With the prospect of negotiations apparently worsening as a result of this clash, union leaders are considering options for strike action to follow the present stoppages by air traffic control staff.

Prominent among the possibilities of new action are plans for selective strikes by engineering supervisors in radar control units.

This could eventually have the same effect as the controllers' stoppages, since the traffic controllers would have no radar information from which to work.

The main areas being considered are engineering staff at West Drayton control centre near Heathrow and staff at the *radar stations on the East Coast,* jointly manned by the Civil Aviation Authority and the RAF.

These joint traffic control radar units provide a service in areas outside coverage available to the centres at West Drayton and Prestwick.

The differences between Mr. Hayhoe and Mr. Kendall yesterday have worsened the already considerably strained negotiations. One union official said *he was becoming more "hard-*line" as he began to despair at the general approach of the Government to the strikes.

Mr. Hayhoe said in a BBC *radio interview the Government* was prepared for talks which he hoped would be this week.

None have formally been arranged. Some officials in the Civil Service Department believe a meeting could be called quickly after, or during, the conference opening today in Harrogate of the Institution of Professional Civil Servants, the final union conference of the present round.

The conferences have in the main approved an enabling motion which would allow for an all-out strike of perhaps one week early next month, if all nine Civil Service unions agreed.

Mr. Hayhoe suggested that at least half the Service would ignore such a strike.

He laid stress on the point that many civil servants were less concerned with this year's increase than pay arrangements for the future.

The statement stung the unions into reply. Mr. Kendall said Mr. Hayhoe was talking "easily" of joint talks, but last week's pay body report which gave MPs rises of 18 per cent, *and the armed forces 10.3 per* cent, had "in fact widened the gulf between the two sides."

The action by air control staff entered its third week yesterday, with stoppages at Aberdeen and Sumburgh airports in Scotland.

Another of the nine Civil Service unions involved in the pay dispute is ready to support its extension. But the Association of Government Supervisors and Radio Officers is not prepared to back a call for an all-out strike.

National Savings up £696m in April

By Tim Dickson

NATIONAL SAVINGS schemes set a record in April, figures released yesterday show.

Net new money flowing into the movement, including accrued interest, was £696.7m, against the March total of £399.7m and well above January's £431m, the highest figure previously recorded.

The figures will doubtless send a further tremor through the building societies, which *have been under pressure from* the Government for much of this year.

The main impetus for the April increase came from the 19th issue National Savings certificates, which return 10.33 per cent free of all taxes if held for a full five years.

Gross receipts of the issue in April came to £547.8m, though after repayments of earlier issues, primarily, it is thought, to switch into the more attractive 19th, the net contribution of non-indexed issues was reduced to £379.7m.

Much of the success of the 19th issue last month can be *attributed to last-minute buying* before its withdrawal just over a week ago.

It is widely felt that the second index-linked issue will take over as National Savings' prime money-spinner. The age limit was reduced from 60 to 50 on April 6, introducing a whole new range of "grannies" to inflation proofing. In April net receipts of index-linked issues came to £206.6m.

The other major contributor *last month* was the *National*

Continued on Back Page

Why U.S. interest rates must fall, Page 14

Joseph approves merger of NEB with NRDC

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE NATIONAL Enterprise Board will lose its separate identity as a State holding company for industry and be drawn gradually into a full amalgamation with the National Research Development Corporation.

Sir Keith Joseph, Industry Secretary, has given the move his broad personal approval in the past fortnight. He has talked with Sir Frederick Wood, who has headed both organisations since the beginning of this year, and members of the NEB were informed on Friday.

An immediate programme for closer working is to be drawn up for full Government approval. The only barrier to a *formal* merger appears to be the provision of Parliamentary time for the necessary legislation which could cause a delay of two years.

In the meantime board members will be interchanged between the two organisations, joint sub-committees may be formed to run certain operations such as small business financing, and some senior staff posts such as that of chief executives may be combined.

These moves are likely to be spelt out by Sir Frederick when the NEB's annual report is published on Wednesday. A Government statement is expected next *month. It will be* widely welcomed by Conservative Party activists who have wanted the NEB abolished since the Government was elected two years ago.

Sir Frederick, who has headed the NRDC since 1978, was appointed to the NEB chairmanship with the specific brief from Sir Keith to examine ways of bringing the organisations closer together. As chairman of Croda International, and former chairman of National Bus, he has wide experience of both the public and private sector and believes the two organisations should be merged.

The closer relationship was started the days ago when Mr. Lawrence Tindall, a member of the NRDC, was appointed to the NEB.

The logic of the merger lies *in both organisation's interest* in encouraging the creation and expansion of high-technology companies. The NRDC is stronger in technological expertise, *while the NEB has de-*veloped as a more financially oriented organisation.

But there are some sharp differences between the two organisations. The NEB has been politically controversial throughout its six-year life, but the NRDC has usually operated quietly out of the limelight.

The NRDC is staffed mainly by unionised career civil servants while the NEB regularly recruits executives from the *private sector and is relatively* small with a total staff of about 80.

The NRDC uses most of its funds to support individual inventions and technological projects, while the NEB usually finances established companies as a whole. The NRDC's total commitment in about 700 projects and partnerships with investors and universities—involves investments of about £65m. The NEB has £250m com*mitted to about 60 companies.*

The similarities between the two organisations have increased recently. The NRDC has been backing small businesses and other companies while the NEB has been concentrating on high technological investments.

Schmidt uses resignation hint to press missile plan

BY ROGER BOYES IN BONN

WEST GERMAN Chancellor Helmut Schmidt has indicated he will resign if his ruling Social Democratic Party decides to reject the Nato decision to station new nuclear weapons on German territory.

The Chancellor's warning came in speeches at the week*end and reflects both his con*cern at the growing anti-nuclear missile sentiments in the SPD and the need for Bonn to align itself firmly with the new U.S. *administration.*

Since December 1979 the twin pillars of Nato's European strategy have been the stationing of missiles and progress in arms control negotiations between Moscow and Washington.

Herr Schmidt travels to Washington this week, and clearly wants to dispel any lingering doubts in the administration that Germany may reject the new U.S. Pershing IIs and Cruise missiles.

In an emotional speech out*side Munich Herr Schmidt* said there was another strong reason for going ahead with the stationing of these missiles—rejection would mean "this *current government and govern*ing coalition will be replaced by a completely different one."

This was a reference to uncertainties about the coalition between the SPD and the small liberal Free Democrats who will decide this week whether to switch their allegiance in the West Berlin Senate to the Christian Democrats (CDU)

The CDU emerged in the recent Berlin elections as the strongest party, but failed to win an absolute majority.

If the Free Democrats switch sides in Berlin, and if the SPD decides at its next party congress to reject the new U.S. missiles, the coalition will come under almost irresistible strain.

But what really moved the crowds in Wolfratshausen over the weekend, was the Chancellor's personal commitment to the NATO move. He did not want to blackmail his own party but if the new missiles were rejected, "my conscience would not allow me to represent such a policy," he said.

The Chancellor has made similar hints of resignation when the party has had to be rallied before crucial decisions in previous years. But it is *evident from other speeches* at the weekend that the threat is sincerely meant and is not just a tactical gesture before his Washington trip.

Doubt about U.S. nuclear policy, Page 17

Benn's election hopes boosted by backing from ASTMS

BY JOHN LLOYD, LABOUR CORRESPONDENT

MR. TONY BENN'S attempt to become deputy leader of the Labour Party yesterday won the backing of a big union, the Association of Scientific, Technical and Managerial Staffs.

Delegates to its annual conference voted narrowly, by 146,840 to 140,340, to "support the stance of Tony Benn for deputy leadership of the Labour Party on a platform of implementing conference decisions," pledging its votes at the Party conference in October to him.

The decision was made against the advice of the union's executive committee, which had proposed an open-ended motion calling for consultation on the deputy leadership at divisional level.

The vote was taken among delegates representing the union's total membership of around 460,000, thus including the estimated two-thirds of the membership who do not pay the political levy and are not affiliated to the Labour Party.

The union's leadership had been advised that legally such decisions must be made by the whole membership.

Mr. Clive Jenkins, the union's general secretary, said after the vote that it reflected the deep division in the movement over the struggle for the leadership. There were also many abstentions, estimated to be over 100,000 votes.

The union leaders believe the decision will have a strong influence on other unions, *especially on the Transport and* General Workers' Union, whose executive last week deferred issue until the period for candidates declaring themselves has expired in *July.*

The conference of the National Union of Public Employees, with 600,000 affiliated votes, has already expressed overwhelming support for Mr. Benn. However, it will consult its branches on the matter before confirming its position—though that confirmation is widely expected.

Mr. Jenkins appealed to the delegates to leave the issue open, because "we don't know who the candidates are going to be." He hinted that two other candidates for the deputy leadership would declare their intention today.

He quoted a speech made to the Labour Party conference in 1960, in which Mr. Benn *appealed for unity* between the Left and the Right wings, and for the inclusion in the leadership of all strands of opinion—including the leader of the *far Left of the time, Mr. Michael* Foot.

Speculation that a dark horse candidate for the deputy leadership might declare himself this week mounted in the wake of the ASTMS decision.

Two MPs tipped as likely candidates—Mr. John Silkin and Mr. Eric Heffer—are now considered unlikely to stand. A third MP, Mr. Stan Orme, Labour's industry spokesman, was being tipped as a possible runner.

Union looks at incomes policy. Page 8

OVERSEAS NEWS

THE LEBANESE MISSILE CRISIS

U.S. envoy aims to divide and delay

BY ANTHONY McDERMOTT IN BEIRUT

THE MISSION of Mr. Philip Habib, President Reagan's special Middle East envoy, has achieved one notable success which could still save the area from war. By carefully spinning out his visits to Syria, Lebanon and Israel he has managed to exploit existing division both within Israel and the Arab world to his advantage.

This is not to say that he has found a solution. The constant heavy shelling across the demarcation line between Moslem West Beirut and the Christian East since early on Sunday morning has been a reminder that this success does not by any means suggest an end to the misery of Lebanon and its complex political problems.

Even the most optimistic observers here reckon that Mr. Habib at best will only succeed at defusing rather than solving the current crisis.

Mr. Habib has skilfully followed the first rule of diplomacy: that of playing for time so that the two key parties—in this case Syria and Israel—have a chance to assess the ultimate results of their chosen positions, and the amount of genuine support they could receive from their super power patrons and immediate allies.

In Syria's case, there has been some material aid from Libya and much other vocal Arab support—even from its enemy Iraq.

Mr. Alexander Soldatov, however, the Russian ambassador here, recently told Mr. Elias Sarkis, the Lebanese President, that the Soviet treaty of friendship with Syria referred only to that territory and not to Lebanon. The implication of this is that Soviet support for a protracted confrontation between Syria and Israel over Lebanon may be limited.

Equally Israel has been told by the U.S. that Washington finds it hard to disagree with the Syrian thesis that the Sam-6 missiles in the Beqaa Valley—the immediate cause of the crisis—are defensive weapons suggesting at least tacit collusion between the super powers.

By playing for time, Mr. Habib has given Mr. Shimon Peres, the Israeli opposition leader, time in which to muster, without being labelled a traitor, opposition to the way Mr. Menahem Begin, the Prime Minister, has handled the missile crisis. A divided Israel in the face of war must inevitably be more vulnerable to American pressure.

By visiting Saudi Arabia, Mr. Habib has brought to bear pressure on Syria from perhaps the only Arab voice to which Damascus will listen with some respect. Saudi Arabia provides not only aid (now suspended) for the 26,000 Syrian troops which make up the Arab Deterrent Force in Lebanon, but also considerable sums of direct additional aid. Saudi Arabia's mediation last autumn helped pull Syria from the brink of open confrontation with Jordan. If these tactics work and both sides are persuaded that a moderate course is best, then Mr. Habib will have been successful in putting off, but not solving, Lebanon's festering problems.

Israelis far from united about need for war

BY DAVID LENNON IN TEL AVIV

FOR THE first time in its history Israel is not united behind its Government during a period when war with a neighbour threatens. The usual closing of ranks and burying of political differences which has so characterised Israelis in times of trouble simply has not happened over the Lebanese missile crisis.

But if war does break out the Israelis will unite to fight Syria, even if many have doubts about the need for the war. For Israelis, defending the country comes first and, as happened in 1973, deciding who is to blame is set aside until after the threat to their existence is removed.

However, the bipartisan approach has definitely broken down mainly because people are not clear about the Government's objectives in Lebanon. There is growing criticism of the way Mr. Menahem Begin, the Prime Minister, has handled the crisis and this comes not only from the political opposition but also from a surprising number of reserve army generals.

Some Right-wing groups and people living on the border with Lebanon and in West Bank settlements have expressed support and told Mr. Begin to ignore his critics.

There does appear to be national agreement about the need for Syria to remove the missiles from the Bekaa Valley, but there seems to be less than total support for rushing in to launch a military strike against the batteries. Mr. Begin's theatrical way of overstating his case may be partly to blame for this. He declared that Israel had to intervene in the fighting between Syrians and Christian Phalangist forces in Lebanon because the Christians were facing genocide.

It was his decision to shoot down two Syrian helicopters aiding troops fighting Phalangist forces which led Damascus to move anti-aircraft missiles into Lebanon. Some Israelis see their Government as responsible in part for the worsening of the situation.

Many regard the remark about genocide as patent nonsense, and certainly there is no desire on the part of the average Israeli to go to war to protect Lebanon's militant Christians.

So while there is still time to avoid war, the public criticism of the Government is increasing. Reserve soldiers, students and Kibbutz dwellers have sent letters to the Premier urging restraint. Thousands turned out at a rally of the Peace Now movement in Tel Aviv on Saturday to appeal for a return to "sane leadership."

MR. BEGIN . . . . growing criticism of his handling of the crisis

Kloeckner rejects coils quota arbitration

By John Wyles in Brussels

KLOECKNER-WERKE, the West German steel rebel, has refused independent arbitration of the hard line demands which have blocked a comprehensive agreement among the leading EEC steel companies on voluntary production quotas.

Disclosing this at the weekend, Viscount Etienne Davignon, the European Commissioner responsible for steel, said that Kloeckner was unjustified in pressing for a substantially higher quota for steel coils than the other 14 main EEC steel producers were willing to concede. As a result, the Commission has decided to retain for one year its powers to determine compulsory quotas for steel coils, which account for about 45 per cent of all finished products.

Viscount Davignon said that in the past few weeks the Commission had organised a new technical study to assess Kloeckner's claims that its Bremen works needed a higher quota than was on offer. Kloeckner had been offered and had refused arbitration on the basis of the study's conclusions.

At one stage, Viscount Davignon revealed, the Commission tried to push through a settlement with a slightly higher quota for Kloeckner than the other producers had offered but this overture was rejected by the company.

Although the Commission is withholding details, it seems most unlikely that Kloeckner will fare any better under the continuing compulsory regime than it would have done under the voluntary Eurofer agreement.

Mid-June elections likely for French parliament

BY DAVID WHITE IN PARIS

FRENCH VOTERS are now likely to be called back to the polls on June 14 because of the agreement reached with ex-President Valery Giscard d'Estaing for M. François Mitterrand to take over at the Elysée Palace on Thursday morning.

Immediately after his inauguration, M. Mitterrand is expected to appoint his Prime Minister—the favourite being M. Pierre Mauroy, Mayor of Lille—and dissolve the National Assembly, whose session has been suspended since before the Presidential election.

In accordance with the minimum three-week delay required by the French Constitution, this would make the holding of legislative elections possible on June 14 and 21, a week earlier than originally foreseen.

As the first opinion poll indicated a Left-wing majority in the first round of the election, the main political formations were already preparing for the renewed battle over the weekend.

The weekly magazine Le Point published a poll taken after the May 10 Presidential election, showing a 52 per cent majority for the combined forces of the Left in the first round.

The Ecologists received 6 per cent, and the present majority coalition in the National Assembly—the neo-Gaullist RPR and the centrist UDF—only 39 per cent.

The Socialist Party is seen receiving 36 per cent of the vote—an all-time record.

The poll, carried out by the IFOP research body, tears asunder the symmetrical pattern of the last Assembly elections in 1978, when the four main parties came within 2.5 percentage points of each other in the first round.

The Communist vote is seen slipping to a fresh post-war low of 13 per cent and the balance in the present majority turning in favour of the UDF, with 20.5 per cent, against the RPR's 18.5 per cent.

The jockeying for position among the leaders of the Centre Right continued at the weekend as the RPR's M. Jacques Chirac launched his campaign at a special meeting of the party's national committee.

Representatives of the RPR and the UDF held their first working meeting on election tactics, following a pact to combine their effort under the banner of Union for a New Majority. The RPR's National Committee yesterday urged the two parties to "make a clean sweep" of past quarrels.

Communist MPs are due to meet today. The party's ruling central committee met on Friday and declared itself ready for discussions "at any time" on a Government pact with the Socialists.

But the Socialists, who have excluded the possibility of including Communists in their first Government, are not due to tackle the question of relations with other Left-wing parties until May 27.

Belgium agrees plan for steel rescue

BY LARRY KLINGER IN BRUSSELS

THE BELGIAN GOVERNMENT has drawn back from the brink of another full-scale political crisis by agreeing in principle on a rescue plan for steel-making in the French-speaking south of the country, and widespread tax cuts in an attempt to restore competitiveness to industry as a whole.

The compromise plan, approved early on Saturday after nearly five days of talks, has almost certainly avoided the threat of the country being forced into an unwanted general election before the summer ends.

Details of the programme have yet to be agreed to by leaders of industry and the trade unions, and the contentious issue of the country's system of automatic wage rises linked to increases in inflation is not fully resolved.

The plan envisages pumping up to BFr 60bn (£769m) over the next few years into a southern steel combine to be created by the planned merger of the country's two biggest steel-makers, Cockerill and Hainaut-Sambre.

Not spelled out, however, is whether the State would take a minority or majority stake in the new grouping.

The plan also proposes cutting industry's taxes, mainly in the area of social security contributions, by up to BFr 46bn.

The loss to the national budget would be made up in part by an increase in Value Added Tax, possibly on petrol and luxury items such as tobacco and alcoholic drink.

The weekend agreement followed five weeks of bitter argument between the Government's coalition partners — the Christian Democrat party of Prime Minister Mark Eyskens, and the Socialists.

Mr. Eyskens' predecessor, Mr. Wilfried Martens, who is also a Christian Democrat, was forced to resign last month because of the Socialists' refusal to accept his demand for a wage freeze until the end of the year.

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New Foreign Minister for Japan

The veteran Japanese politician Mr. Sunao Sonoda is to replace Masayoshi Ito as Foreign Minister following the latter's resignation, writes Richard Hanson in Tokyo. It will be the third time he has held the post.

Mr. Ito resigned in a dispute with Prime Minister Zenko Suzuki over the relase of a "final communique" before Mr. Suzuki had completed his talks with President Ronald Reagan in Washington two weeks ago.

Saudi oil output

U.S. Treasury Secretary Mr. Donald Regan said yesterday there was no indication that Saudi Arabia planned to cut oil production, Reuter reports from Riyadh. He added that the Saudis appeared "comfortable" with their present price of $32 a barrel.

Italy deficit

Italy's balance-of-payments deficit dropped to L59bn (£24m) in April—the smallest monthly deficit since July 1980, Rupert Cornwell reports from Rome. But the total shortfall in the first four months reached L3,516bn, against L2,409bn in the same period last year.

WORLD TRADE NEWS

UK set for Ghana orders after visit by Limann

BY MARK WEBSTER

BRITISH trade has been given a major fillip by the visit of Ghana's head of state, President Hilla Limann, to London last week, officials of both countries agree.

The Export Credits Guarantee Department is expected to announce this week an increase on the ceilings for short- and medium-term cover on exports to Ghana. The move will place Britain in a better position to win some of the contracts in the Cedis 25bn (£4.2bn) medium-term investment plan being considered by Parliament.

The ECGD has been giving only limited cover for exports to Ghana since the coup which brought Ft.-Lt. J. J. Rawlings to power in June 1979. Even so, British exports remained steady at around £88m in 1979 and 1980.

Businessmen generally gave President Limann a warm welcome in London and considerable interest was expressed during the visit about investment in Ghana. The country has substantial reserves of gold, diamonds, bauxite, timber, and is still a major producer of cocoa.

But severe economic problems have dogged Ghana for more than a decade, leaving the productive sectors in decline, and industry turning over at only 25 to 30 per cent of capacity.

At a meeting with businessmen at the London Chamber of Commerce on Friday the President explained that his Government's policy was to issue import licences only when there was foreign exchange available in line with national economic priorities.

He said his visit to Britain would prove a success if in encourages more investment in Ghana and allows existing enterprises to step up their activities.

The President said that agriculture and the infrastructure—roads, ports and railways—were the most urgent priority sectors of his government.

Ghana's democratically elected Parliament is debating a new investment code which would allow foreign investors a majority stake and guarantee them management control.

The investment code also proposes the establishment of an Investment Centre which would be headed by the vice-president and include most of the ministries involved in deciding on fresh investment.

At his press conference on Friday, the President said he was disappointed at the response of the private sector so far: "The private sector is still hedging too much because they say they want to wait and see. But if they wait too long there may be nothing for them to see," he said.

● China and Zimbabwe have signed two agreements on trade and cultural exchanges in Peking, *Reuter reports from* Hong Kong.

The agency said that under the trade agreement the signatories will grant each other most-favoured nation treatment and undertake to adopt all possible measures to facilitate trade contacts between the two countries.

Under the cultural agreement, the two countries will promote exchanges and co-operation in the fields of culture, education, publication, the press and broadcasting.

Mr. Zhao Ziyang, the Chinese premier, and Prime Minister Robert Mugabe of Zimbabwe attended the signing ceremony.

ICL wins £4m computer deal

BY OUR WORLD TRADE STAFF

ICL COMPUTERS are to be installed in Woolworths discount stores throughout Australia. The contract, worth £4m, was won in the face of Japanese and U.S. competition.

The order embraces 30 of ICL's new ME29 business computers, terminals for use at points of sale and store controllers from the 9500 series.

Deliveries start next month. The computers will be manufactured at ICL factories at Kidsgrove in Staffordshire and Letchworth in Hertfordshire.

● Westinghouse Brake and Signal of the Hawker Siddeley group has signed a £4m contract, foreshadowed last December, to provide signalling and other equipment to National Railways of Zimbabwe. The equipment will be used in the electrification of the main line between Salisbury and Bulawayo.

● R. A. Lister Farm Equipment, a Hawker Siddeley subsidiary, is supplying the Borno State Government of Nigeria with hammer mills and crop driers valued at £1.4m.

● Cable Belt, a member of the Laird Group, is to design, supply and install a conveyor system to transport copper ore at Roan Consolidated Mines in Zambia. The contract is worth £3.5m.

● Plessey Aerospace is providing £2.5m worth of anti-ship missile decoys to the Canadian Government. The decoys are already in service with the Royal Navy but this order is the first Plessey has received from overseas.

GM in talks with Isuzu on car for Europe

By Kevin Done in Frankfurt

General Motors could import a Japanese sports car in built-up form for sale through part of its European dealership network which operates under the Opel banner.

The car, a high-priced, two-litre model designed by Giugiaro in Italy, would come from Isuzu in which GM has a 34 per cent shareholding.

It would not be sold in either West Germany where Opel, GM's major European subsidiary, is based, or the UK where Vauxhall, another offshoot, is located.

Negotiations between GM and Isuzu have been going on for some time but no decision has yet been made about whether the car would be imported to Europe and in what numbers.

Opel said firmly, however, that if it was sold in Europe it would be sold under the Isuzu name.

The nearest equivalent to the new Isuzu vehicle in the present Opel range is the Manta and the German company insisted there were no plans to replace this model with the Japanese car which would be in a higher-price category if it was to be imported.

AGIP Nederland concludes drilling

AGIP NEDERLAND B.V., of the ENI Group, has concluded its exploration programme on the F/18 block, offshore Holland, Our World Trade Staff writes. The results of three wells are being evaluated and Saipem's drilling rig, Black Dog, which carried out the drilling has been towed to waters offshore Sicily.

WINE AND SPIRITS EXPORTS

Port sales rise 20% in value

BY DIANA SMITH IN LISBON

PORTUGAL'S BEST foreign customers for its port wine drank a little less last year, but a 2 per cent drop in volume of exports was offset by a 20 per cent rise in value thanks to devaluations of the Escudo against hard European currencies, and price rises in consumer countries. For traders, the medium-range forecast is uncertain but long-range prospects are excellent.

West European nations take the absolute lead in Port wine consumption, with France far ahead. In 1971, the French imported 14.5m litres of port, but by 1980 their consumption soared to 25.4m litres—41 per cent of all port exports, worth $56.8m to shippers. Britain, the second largest importer in 1980, lags well behind France, and consumption is dropping, from 10.7m litres in 1979 to 9m litres last year.

After France and Britain, the Belgians, Dutch, West Germans and Italians were in the top 10 with Belgium's consumption of 7.6m litres, more than double Italy's 3.1m litres.

The Soviet Union imported 1.8m litres in 1980. Meanwhile, U.S. imports were just 354,600 litres in 1980 and Brazil took 245,000 litres last year.

Sales fluctuate to the Comecon bloc, which joined the list of customers after Portugal diversified its trading partners during the 1974-75 revolution. But the USSR, Czechoslovakia, Hungary and Poland continue to take reasonable quantities of port.

Even the Arab world is a 1981 customer, for Bahrein bought $2,000 worth of bottled Port in January.

Demand for liqueurs increases

BY GARETH GRIFFITHS

TRADE IN flavoured spirits, such as Campari and liqueurs, is likely to provide one of the main areas of growth in the international drinks trade.

The wide range of drinks available, has meant that trade has been concentrated in national markets, says a report by Acumen Marketing, a drinks marketing group based in the UK and Europe.

Flavoured spirits are drinks whose flavouring is not an essential part of the fermenting process but is added at a later stage. They include liqueurs, pre-mixed cocktails, flavoured vodkas, bitters and anis and related aperitifs such as Ouzo.

The report, published in London this month, highlights the high growth of flavoured spirits in the 26 main European, North and South American countries, Japan and Australasia. The report finds that there is a significant and growing demand in almost all countries for flavoured spirits.

West Germany showed the highest growth in demand for flavoured spirits with an increase of 91 per cent in sales between 1975 and 1979. Spanish sales increased by 59 per cent, in the UK by 55 per cent, Brazil by 52 per cent, the US by 39 per cent and South Africa by 37 per cent.

EEC imposes new duty on U.S. chemical

BY SUE CAMERON, CHEMICALS CORRESPONDENT

THE European Commission is placing an anti-dumping duty of up to 14.27 per cent on imports to the EEC from the U.S. of vinyl acetate monomer—a chemical used in the making of plastics.

Commission officials said European producers have been incurring losses — "extremely high" in some cases — as a result of U.S. companies dumping vinyl acetate. The Commission also recognised that European vinyl acetate prices are still inadequate for many producers.

The new duty, welcome to the European chemical industry, is higher than the provisional anti-dumping duty of 10.6 per cent imposed by the Commission last November.

Three U.S. producers of vinyl acetate were specifically excluded from having to pay the provisional anti-dumping duty, including Celanese Chemical of Texas. CEFIC — the European Council of Chemical Manufacturers Federations — expressed considerable concern over the exclusion of Celanese last autumn.

But it is understood that Celanese will now be subject to an official anti-dumping duty of 12.94 per cent.

The anti-dumping duty will be levied on the value of U.S. vinyl acetate monomer once it is landed in Europe.

The original dumping complaint was submitted by CEFIC to the Commission last summer.

Dutch group wins order over lower U.S. bid

By Charles Batchelor in Amsterdam

THE DUTCH GOVERNMENT announced it will place a Fl 700m (£135m) order for 841 light tanks with a Dutch consortium despite a Fl 100m lower offer from an American company.

The Defence Ministry order will be placed with a consortium of Dutch companies headed by the commercial vehicle maker DAF Trucks and Rijn-Schelde-Verolme, the engineering and shipbuilding group, the Cabinet decided at its weekly meeting on Friday.

Negotiations between the Government, DAF/RSV and the U.S. company, Food Machine Corporation, brought lower tenders from both sides and reduced in the difference between the two offers from Fl 270m to an "acceptable" Fl 100m. The Government is keen for the order to be placed in the Netherlands because jobs will be created and a high technology industry will be helped.

The light tank — code-named the YPR 765—is destined to replace existing wheeled vehicles in use with eight armoured infantry battalions. Delivery is due to start in 1984.

The Dutch consortium was able to reduce its price by building more components cheaply in the Netherlands, reducing transport costs, and avoiding high downpayments to U.S. suppliers and the currency risk, DAF said. The Dutch bid was still higher, though, because of licence fees and the start-up costs of the project.

World Economic Indicators

INDUSTRIAL PRODUCTION

	Mar. '81	Feb. '81	Jan. '81	Mar. '80	Change over previous year %	Index base year
Japan	145.1	147.3	144.8	142.6	+1.8	1975=100
USA	151.7	151.1	151.7	152.1	−0.3	1967=100
	Feb. '81	Jan. '81	Dec. '80	Feb. '80		
W. Germany	120.3	108.9	116.8	121.4	−0.9	1975=100
France	117.0	116.3	121.8	119.8	−2.3	1975=100
Italy	134.5	121.2	121.4	130.6	+3.0	1975=100
Netherlands	119.0	114.0	125.0	112.7	+5.6	1975=100
UK	107.6	99.8	101.2	111.6	−3.6	1975=100
	Jan. '81	Dec. '80	Nov. '80	Jan. '80		
Belgium	116.0	102.6	123.9	119.7	−3.1	1975=100

Source (except U.S. and Japan): Eurostat

SHIPPING REPORT

Rates rise surprises market

By Our Shipping Correspondent

THE IMPROVEMENT in the very large crude carrier (VICC) market continues apace. Industry experts are baffled by the upsurge in rates, given the weakness in overall demand for oil.

Galbraith Wrightson reports that more than 17 ULCCs/VLCCs have been chartered in the Gulf over the past week and there have been several more private deals which have not been recorded. The bulk of the charters have storage options and, given that these stretch up to five months in many cases, a sizeable amount of tanker tonnage is being taken off the market.

Rates for VLCCs on the standard voyage westwards out of the Gulf have risen to Worldscale 35. This compares with a lowpoint of Worldscale 22 in early March.

The most oft-quoted reason for the strength of the market in recent weeks has been the rising tension in the Middle East. The number of tankers fixed with storage options indicates that the oil majors are anxious to build up their stocks.

However, over the longer term, brokers are not predicting any major recovery in the market.

Dutch yards orders double

By Our Amsterdam Correspondent

Dutch shipyards booked Fl 700m (£131m) worth of orders in the first four months of 1981 twice as many as in the same period last year. The Netherlands Association of Shipbuilders forecast a sharp increase of orders over the year as a whole compared with the Fl 1.3bn placed in 1980.

With most of the new orders coming from abroad Dutch shipyards have improved their competitive position following several years of Government-backed reorganisation, the Association said.

The mprovement in business began in the inland shipping sector but has spread to the market for ocean-going vessels. Many shipyards managed to make profits or to break even last year after a period of losses, the Association said.

British Shipbuilders plan is 'full of punch'

BY WILLIAM HALL, SHIPPING CORRESPONDENT

BRITISH SHIPBUILDERS expects to submit its new corporate plan covering the period 1981-82 to 1984-85 to the Government before the end of this month.

The board is expected to approve the plan at a board meeting on Wednesday, and consultations with trade unions to start the following day.

Mr. Robert Atkinson, the chairman, said in Oslo last week that the plan involved a "major look" at the nationalised industry and was "full of punch."

Union leaders who have seen the document, which is considerably thinner than previous plans, say that there is little new information.

Much of it consists of detailing changes which have taken place, such as the new divisional structure, rationalisation of ship-repair and engine-building facilities, and establishment of the offshore division at Scott Lithgow.

Apparently the plan gives little information on the likely level of future merchant shipbuilding capacity, or the level of redundancies which would result from any cut in warship orders.

The main problem for British Shipbuilders' management in formulating the plan has been that it has no idea of the level of future warship orders until the Government has finished the major defence review later this year.

The key element in the last corporate plan was a reduction of more than a third in merchant shipbuilding output to an annual capacity of 400,000 compensated gross registered tonnes by 1980-81.

To cushion the impact, several thousand shipyard workers were switched to naval work in anticipation of promised public-sector orders.

As a result more than 30,000 of the 70,000 workers are engaged on naval work and the value of the naval order book, £1.9bn, is nearly four times that of the merchant-ship order book, at its lowest level since nationalisation.

The level of public-sector orders has been less than half that envisaged in the last corporate plan, and several yards dependent on naval orders are running out of work.

Unless new naval orders are placed shortly British Shipbuilders will have to reduce its naval workforce substantially if it is to live within the Government's tight cash limits.

While uncertainty over naval orders has rendered much of the corporate plan ineffective, lack of merchant-ship orders throws serious doubt on the corporation's ability to sustain its annual capacity at the previous target level.

On the basis of the recent order inflow this could fall to under 300,000 gross registered tons.

British Shipbuilders' efforts to build up its offshore division to offset the decline in naval and merchant orders have not been very successful.

Only one large semi-submersible drilling rig is under contract for a commercial customer, and the corporation has largely failed in its efforts to capitalise on the worldwide boom in offshore drilling rig ordering.

British Shipbuilders' orderbook —value

	Merchant £m	Naval £m
1977	832	644
1978	597	917
1979	573	1830
1980	501	1777
1981 (March)	478	1880

Bringing vision and music together in one album

Elaine Williams looks at a new venture in video-recording

SIMON LAIT believes that there is a gap in the pre-recorded video cassette market that no-one is serving. As a result he is gambling more than £500,000 of his own and private investors' money to produce a new kind of record, the video album, which combines music and the video medium.

Next Friday Mr. Lait's two-year-old company, Radialchoice, releases its first half-hour video cassette album, Word of Mouth by Toni Basil, at just under £30.

This year the market for pre-recorded video cassettes has improved because of the sharp growth in video cassette recorder sales and rental. More than 7m VCRs are in use worldwide. This number is expected to be more than double this year.

In the UK it is estimated that 500,000 VCRs are in use.

While they are used mainly for taping directly from television, a growing number of pre-recorded films and television programmes are available for sale or rental through specialist dealers and large retail stores, such as Woolworth, W. H. Smith and Boots.

Prices range from £39.95 for a popular box office film such as Jaws, the Deer Hunter or Murder on the Orient Express to about £29.95 for less popular programmes.

Radialchoice, at Greenwich, is initially producing 10,000 video albums, and releasing a conventional audio record at the same time.

If all these are sold Radialchoice will cover production and promotion costs. It says it has firm export orders for 1,100 video albums, worth about £17,000, and believes it is one of the first companies in the world to issue such a product made specifically for the music video market.

All the money to set up Radialchoice was raised privately through Mr. Lait's contacts in the music and business world. Some of the finance has come from the City, which has shown increasing interest in the video market.

Mr. Lait, a former producer with Jon Roseman, a major maker of promotional videofilms, pins his hopes on an unknown artist in the UK because he believes that she can provide the material now lacking in the few video-albums released by well-known pop groups such as Blondie.

Each song on the video-album is accompanied by choreographed dances and bizarre scenery ranging from a jungle to a school playground.

"A video-album must be relatively simple but contain movement and tricks which the viewer may miss the first time around." Mr. Lait says. "Groups just playing their instruments and looking bored will not make people watch video-albums again and again."

Artists will have to adapt to being visually interesting as well as sounding good, he says.

"It's rather like the days when the film industry was moving from the silent to talking pictures. Some actors just could not adjust to speaking, or they sounded awful."

In the next 18 months Radialchoice will release four more video-albums and six audio records; a second album by Toni Basil is to start production in the autumn.

Mr. Lait also produces conventional LPs because he does not expect the video album to replace them. "On the contrary, we expect video will boost conventional record sales, since they are complementary."

Video music albums are such a new field that there is little guidance on the way royalties and copyright payments should be shared between those involved in its production.

Distribution of the audio record in the UK is through Virgin Records via CBS. The video album will be available from Intervision, which sells mainly to specialist video-dealers.

Distribution deals have been secured in Australia, Austria, West Germany, Switzerland, Spain, Portugal and the Benelux countries.

Subsidies to councils for bus service questioned

By Lynton McLain, Transport Correspondent

THE LEGAL basis for Government payments to two local authorities to cover their possible losses as a result of launching Government-backed free-competition zones for bus operators is to be queried in the House of Commons next month.

Norfolk County Council was given £200,000 by the Government in April when it became the first county to operate an experimental "trial area," in the North of the county. Bus services there can now operate, for the first time since the 1930s, in free competition with each other without the need for an operator to have a bus licence.

Trial areas are allowed under the 1980 Transport Act but it made no provision for the Government to make payments to councils specifically to cover the possible financial risks involved in free competition zones.

Without Government aid, Norfolk would have been liable for any losses incurred by existing bus operators, which are mainly supported by local authorities, as a result of the need to match the low fares likely to be set by the new competitors.

Hereford and Worcester County Council last week became the second county to get Government help in setting up a trial area. Mr. Norman Fowler, the Transport Secretary, agreed to pay the council £70,000 this year to cover the possible risks involved.

The Labour Opposition in Parliament is opposed to trial area experiments because of the likely undermining of existing and well-established local bus services. Last week, Mr. Rogert Stott, Labour MP for West Houghton and an Opposition spokesman on transport, said he intended to ask Mr. Fowler in the Commons on June 3 under what provisions in the Transport Act he is making "cash payments to the only two counties which have been persuaded to introduce bus service "trial areas" as a result of the Act."

Trial areas

Before passage of the 1980 Transport Act, which deregulated bus services completely in trial areas chosen by local authorities, free competition was not allowed among bus operators. Services were restricted almost exclusively to well-established operators such as the State-owned National Bus Company.

All operators planning local "stage carriage" bus services —those that stop and start for passengers on short, local routes—had to have licences before last year. The licences were issued by the Traffic Commissioners, regulatory bodies set up in the 1930s when the previous freedom to operate any bus service had led to abuse and falling standards.

For the past half century, the Traffic Commissioners have used their power over licensing to control the number of operators, and in practice to keep out competitive low fare operators.

However, local councils were extremely reluctant to embark on the experiments with free competition allowed under the Act, largely because the government had not made any provision to cover possible financial risks for council-supported bus services which exposure to competition could create.

Devon County Council considered designating a trial area but considered that the Transport Department would have to provide up to £500,000 over three years as a "contingency fund" in case the experiment caused high losses among established operators.

The council said last week that "Devon looked for a subsidy from the Government that would enable us to restore services" if the experiments failed.

Devon County Council said last week it had debated "very seriously" the idea of going for a £500,000 subsidy for a trial area experiment, but had put it aside in favour of changes in the way its existing services operated.

These changes, based on encouraging Western National, a subsidiary of National Bus, to take on the "bulk passenger routes" and allowing independent operators to take the other, less used routes, were expected to result in an annual saving of £200,000 in subsidies.

We are now making enough headway without the need for trial areas," Devon County Council said. The council felt that trial area experiments carried a number of risks, including the possibility of "fairly substantial closures of bus services in rural areas."

The Transport Department said at the end of last week that the payments made to Norfolk and Hereford and Worcester had been made for "contingencies arising out of the trial areas." No other applications to start a trial area were being considered at the moment the department said.

Lansing to market Hitachi robot

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

LANSING, the forklift truck maker, has agreed with the Japanese Hitachi group to market its multi-purpose robot in the UK.

The robot will go on show for the first time in the UK at Automan '81, the automated manufacturing exhibition in Brighton next week. It is being opened by Mrs. Thatcher.

Mr. John Allenby, joint managing director of Lansing, says the company has no plans to manufacture robots "at this stage." He sees more future in marketing imported products than making them in the UK.

Lansing's fork lift truck and materials handling business has been hit by the recession. The company's traditionally high proportion of exports has suffered from the exchange rate.

In the past six months, employment at the group's main Basingstoke plant has been cut by 750 and throughout the group by 1,200. Weekly production at Basingstoke is running at about one-third of capacity.

The Hitachi robot will be marketed initially for arc welding operations, where it will compete with big European and American robot makers.

Lansing believes its markets will be primarily for packages, consisting of the robot plus ancillary welding equipment. The company has an extensive sales and servicing network backing its lift truck operations, which will now provide a key sales point for the robot.

Lansing is one of the few British engineering companies which has experimented with robots in its own manufacture. It has a Hall Automation welding robot and a Puma robot from Unimation undergoing test programmes, and has gained experience helpful in explaining robot potential to British industry.

Mr. Allenby said yesterday: "Our objective is to occupy the very large gap between the manufacturers of robots and the people who are in a position to make use of them, but at this stage do not know how to."

The Brighton exhibition and conference next week is expected to confirm that there is considerable British interest in robots and automated manufacturing systems. But, management has not been convinced that it is something in which they should be investing.

Hitachi is one of the top five robot manufacturers in Japan, which is seeking to build exports. It has concluded a licensing agreement with a company in the U.S. and has set up its own marketing operation in West Germany. Lansing expects to sell the Hitachi robot for around £40,000.

Social Democrats ask monetarist for advice

BY ROBIN PAULEY

ONE OF the strongest supporters of monetarism and the Government's medium-term economic strategy, Dr. Alan Budd, is among the leading economists whose advice has been sought by the Social Democratic Party.

Discussions on strategy were held during the recent local government elections, when party members began to fear that potential supporters were anxious about the lack of national or local policy, especially on the economy, inflation and unemployment.

Among about 30 people who met in a London hotel to discuss policy privately were at least five economists: Dr. Budd, who is economic forecasting director at the London Business School, Sir Alec Cairncross, Professor James Meade, Mr. Robin Matthews and Mr. John Kay.

Dr. Budd is not a member of the Social Democratic Party and apparently attended the meeting because he was invited and is prepared to discuss his economic views informally with anyone who will listen. He has recently talked to the Conservative Party backbench finance committee for example.

But some Social Democrats fear that if Dr. Budd's views are going to be instrumental in party policy, the result will be tantamount to support for the economic effects of the present Government's strategy. This may overlook the anti-monetarist influences of Professor Cairncross and Professor Meade, the Nobel Prize winner, both SDP supporters.

Besides, while Dr. Budd believes the Government should not do anything through demand management to speed up the economic recovery, he does not rule out the possibility of some modifications in the strategy.

In the event, the meeting produced nothing approaching a strategy or policy.

Most of the economists barely got more than a couple of sentences in, Dr. Budd talked briefly against incomes policy but never came near to discussing the medium-term financial strategy, the arguments for and against monetarism did not appear, and there was no agreement about whether the meeting should concentrate on micro- or macro-economics.

Challenge to Callaghan defeated

THE LEFT-WING challenge to the re-selection of Mr. James Callaghan, the former Prime Minister, in his Cardiff South-East constituency, has fizzled out.

The constituency party's general management committee voted by 50 votes to seven at the weekend to invite only Mr. Callaghan, a Cardiff MP since 1945, to the final selection conference later this week.

The move put paid to a nomination attempt by Mr. Nigel Knowes, a 34-year-od London trade union official. Last month, he was backed by the city's Roath ward in preference to Mr. Callaghan, under Labour's new reselection procedure.

Child maintenance

BY ROBIN PAULEY

THE RULES for assessing the amount of maintenance to be paid for children after their parents are separated or divorced are strongly criticised by the National Council for One Parent Families.

Child maintenance is nowhere near enough to cover children's financial needs if it is paid at all says a report published today.

It attacks the Law Commission's paper on the financial consequences of divorce for concentrating on assets and the maintenance of husbands and wives first rather than children.

Children's maintenance is not dealt with by courts until property matters and maintenance between parents have been settled and courts have no guidelines for assessing the amount of child maintenance.

The council proposes that courts should consider children first even though this means that in the majority of cases there will be nothing left to award to a parent. It also says maintenance should be a minimum £20.85 a week for a child under five living outside London.

Delay for small business loan scheme

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

NEGOTIATIONS ON the Government's guarantee scheme for small business bank loans have revived after near-deadlock during the past few days. But the tough stance adopted by both the clearing banks and the Department of Industry means full implementation of the scheme will probably be delayed past the due date of June 1.

The negotiations are unlikely to end in time for the banks to send full details to their 12,000-14,000 branch managers, and it may be some weeks before all the branches are fully briefed.

But the political impetus behind the scheme has prevented the negotiators delaying the starting date announced by Sir Geoffrey Howe, Chancellor of the Exchequer, two weeks ago.

The tough and lengthy *negotiations have worried* leaders of small business lobby organisations, and have also embarrassed the Government while it has been trying to launch its £500,000 small firms' propaganda campaign.

Called the Business Opportunities Programme, this campaign is aimed at advertising the loan scheme and other concessions for small businesses.

Under the gurantee scheme, loans of up to £75,000 will be provided by the big English and Scottish clearing banks and the Industrial and Commercial Finance Corporation. They will go to small businessmen whose applications would usually be refused by local bank managers because of a lack of personal guarantees and security.

The Government will underwrite 80 per cent of the loan, for *which it will charge 3 per cent.* The money raised from this charge will go into a fund to cover the costs of business failures, so that the scheme should be self-financing.

The banks will cover the other 20 per cent and will fix their own charges for the complete loan—probably 2-3 per cent above base rate in most cases. This will produce a total rate of 17-18 per cent, which small business organisations say is too high.

Competition may grow later, however, when more banks join the scheme. The Co-operative Bank and the Yorkshire Bank are expected to be early candidates and some merchant banks with small business interests and experience are also expected to apply.

Rows have developed during *negotiations between the Industry* Department and the banks and ICFC in recent weeks, with both sides blaming the other's solicitors for most of the problems.

The trouble arose partly because the banks have never been keen on the scheme, and partly from the difficulties of trying to negotiate tight legal restrictions.

Both the banks and the Government have been anxious to remove any loopholes, especially in cases where a business fails, and at one stage the negotiations almost broke down.

Eventually the Government persuaded the banks that it should receive 80 per cent of the proceeds of realisable assets after a failure. It has relaxed some of its demands for the right to vet each loan, but has insisted that it should have up to two weeks to approve the loans. The banks had wanted this final vetting completed in two or three days.

The banks have also reluctantly agreed to collect the Government's 3 per cent interest, instead of forcing the Industry Department to do so.

The banks have also complained that the Government is only allowing the scheme to apply to manufacturing industry and certain carefully-defined service businesses.

One of the leading small business lobbyists, Mr. Bill Poeton of the Union of Independent Companies, has recreated a committee he ran during the winter in an attempt to increase political pressure on the Government and the banks.

Scarman urges law review to prevent double taxation

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A REVIEW in the law is needed to prevent the possibility of double taxation, according to Lord Scarman.

His call came after the House of Lords discovered an apparent legal anomaly affecting a taxpayer's right to avoid double taxation.

In an appeal involving a tax avoidance scheme, the Law Lords learned that the taxpayer had been assessed for capital gains tax as well as for income-tax on the sale of shares involved in the scheme.

Lord Scarman said the figures in the case were disturbing. The assessed income-tax and surtax totalled £214,681. If the capital gains tax paid was added, the total tax would exceed the £235,941 upon which it was charged.

The Revenue had very properly said that it would not insist on payment in full of the income-tax, in addition to the capital gains tax.

But, said Lord Scarman, that was a precarious, and therefore unacceptable, basis for the avoidance of double taxation.

"Those who use the services of an 'inventor and purveyor of tax avoidance schemes' can expect no mercy: but they are entitled, like the rest of us, to justice."

Lord Scarman thought that when capital gains tax was introduced in 1965 its relationship with the income tax avoidance provisions of the 1960 Finance Act had probably not been fully appreciated.

Before 1965 a capital gain had not been taxable and therefore, if income could be transmuted into a capital gain, no tax had been payable.

Since 1965 both types of receipt were taxable—hence the real risk of double taxation.

New fortnightly banking newsletter

By Our Banking Correspondent

A FORTNIGHTLY banking newsletter, Retail Banker International, is launched today by Mr. Michael Lafferty, former banking correspondent of the Financial Times.

Mr. Lafferty, who edits the new publication, says the retail banking industry is going through unprecedented change.

He cites the growth of worldwide payment systems, such as Visa, Mastercard and American Express.

Recent estimates indicate that retail banking, ranging from current accounts to credit cards and travellers cheques, could grow rapidly in the 1980s

Annual subscription £220 ($480). Michael Lafferty Publications, 392 Goldhawk Road, London W6 0SB.

Cambridge model to help local authority forecasts

BY ROBIN PAULEY

AN ECONOMIC forecasting service designed for the needs and structure of individual local authorities is launched today by Cambridge Econometrics.

The new service is aimed at county councils and will concentrate its analysis on the economic and industrial profile of the county and its districts, the needs and incomes of its inhabitants and the financial pressures from central Government, money markets and ratepayers.

The analysis will be based on Cambridge Econometrics' regular economic forecasts and its model of the economy, which it claims contains more detail of public expenditure and income than any other, including the Treasury's.

Cambridge Econometrics is the commercial part of the Cambridge Growth Project at Cambridge University's Department of Applied Economics. It is separate from the Cambridge Economic Policy Group in the same department.

It feeds its assumptions into its own computer model of the economy, which has 15,000 co-efficients, 7,000 variables and 3,000 equations.

It feels this will enable it to set local authority finance in its national context of other contributions to and claims on the public sector, its contacts with nationalised industries and financial institutions aiding this assessment.

A brief will be sent to every county treasurer of the participating authorities after each regular forecast, drawing out the implications for local government.

Cambridge Econometrics hopes this will help better financial planning and awareness of trends so that councils which intend to pursue vigorous cost-cutting will be better able to identify areas of savings.

Advice bureaux organisers criticised

By David Churchill, Consumer Affairs Correspondent

THE NATIONAL organisers of the citizens' advice bureaux have been rebuked by Mrs. Sally Oppenheim, Minister for Consumer Affairs, for adopting too political an approach in advising members how to lobby MPs.

Mrs. Oppenheim told a private seminar of citizens' advice bureau organisers at the weekend that some voluntary supporters of the bureaux were becoming increasingly concerned at the movement's political stance.

"It would be a tragedy if loyal supporters and workers for the movement were to become alienated because they suspected that any aspect of the movement was becoming politicised, whether inadvertently or otherwise," she said.

Mrs. Oppenheim is understood to have received complaints from bureau workers and MPs associated with the movement about a do-it-yourself lobbying kit produced by the National Association of Citizens' Advice Bureaux.

The association receives Government aid of almost £5m a year.

The lobbying kit tells individual members how to write to MPs, draft a Press release and provide other means of lobbying.

Some sections of it deal with the rise in unemployment under the Conservative Government and the effects of cuts in public expenditure. It is these sections that are understood to have caused the complaints to Mrs. Oppenheim.

Mrs. Oppenheim emphasised that she was not against lobbying by pressure groups, or the advice on procedures in the lobbying kit.

Mrs. Oppenheim said that alienating the grass roots of the movement could reduce the number of volunteers and "the ultimate losers would be those who benefit from the services on the ground."

Mr. Jeremy Leighton, the association's director, says in his covering letter to the kit that the major objective of the lobbying campaign "is to secure money for the bureaux themselves, to help them cope with the enormous increase in demands made of them as a result of the current recession."

Fibre production figures improve

BY RHYS DAVID, TEXTILES CORRESPONDENT

PRODUCTION AND deliveries of man-made fibres in the UK both showed a marginal improvement in the first quarter of 1981, suggesting that the steep fall in output during 1980 has been halted.

Output at 102,000 tonnes was almost 1,000 tonnes more than in the previous quarter but still 24 per cent down on the same period a year earlier. Output in the final quarter of 1980 had been 31 per cent down on the equivalent period in 1979.

Deliveries at 113,470 tonnes were up 8,000 tonnes on the preceding three months, with exports accounting for 55 per cent of sales.

The latest CBI/NEDO survey of trends in textiles showed that while manufacturers as a whole remained pessimistic about prospects, more were expressing a degree of optimism than four months ago.

Some improvement in capacity utilisation and a slowing-down in the rate at which jobs are being shaken out were also reported.

But the survey also pointed to a recent acceleration in the rise in unit costs, coupled with a fall in prices at which orders are booked, suggesting that margins are being squeezed even more tightly.

Meanwhile, Mr. H. Hartley, president of the National Union of Dyers, Bleachers and Textile Workers, criticised textile employers on Saturday for their part in the general rundown of the industry.

In remarks which represent a significant breach in the common front traditionally put forward by the unions with the employers on the industry's trading problems, Mr. Hartley told union members that Government inaction was not solely responsible for the industry's neglected state. The performance of the employers had also played a significant part in its problems.

"We cannot ignore our own role either," he said. "We have been too accommodating when we should have been far harder with the employers.

"We should never have allowed them to have a low-wage industry, for it becomes a substitute for investment to the detriment of long-term competitiveness."

On a more positive note: Britain's wool textile manufacturers are to organise their first London exhibition of fabrics at the Dorchester Hotel from October 5-7.

Manufacturers from Scotland and Yorkshire will be showing their men's and women's ranges for autupmn 1982. The industry's design awards trophies which are sponsored by a range of organisations, including the Financial Times, will be presented during the show.

Computer training scheme saves money for councils

BY ROBIN PAULEY

A CONTRACT for local authorities to use more audio visual facilities in their computer training programmes will enable them to save money at a time when they are under great financial pressure.

The Computer Staffing and Training Group of the Local Authorities Management Services and Computer Committee (LAMSAC) has signed a four-year contract on behalf of local government with Advanced Systems Incorporated.

The contract will provide in-house training for computer professional staff using a library of audio-video course packages. It follows a previous three-year contract which saved participating authorities more than £30,000 in computer training costs.

The present libraries cover mainly courses for IBM computer programmers and operators but the systems and managerial cources are machine-independent. New additions to the library will be an expanding collection of modules for ICL computer users.

The television monitor, cassette players and ancillary equipment needed to set up an audio-visual centre cost about £1,750 at current prices. To offset the initial cost some county councils are inviting district councils within their boundaries to share the training resources.

Ulster to vote in tense week

BY STEWART DALBY IN DUBLIN

VOTERS in Northern Ireland will this week have the chance to make their views known at the polls for the first time since the direct elections to the European Parliament in June 1979.

The elections come as sectarian tensions have been increased by the Republican hunger strikes in the Maze prison.

On Wednesday, local elections will be held in the Province for the 526 seats on its 26 district councils. These are the first district council elections since 1977 and voting is by proportional representation. In all, just under 1,000 candidates are contesting the seats.

The district councils have little power. Since direct rule was imposed from Westminster in 1972, the Northern Ireland Office and the old Civil Service departments of the Stormont Parliament have been in control of finance, housing and education. They control matters such as street-lighting, parks, public conveniences and little else.

The Official Unionists have overall majorities in Antrim, Banbridge and Coleraine, while the Democratic Unionist Party has a majority in Ballymena.

On the Catholic side, the Social Democratic and Labour Party, the main moderate Catholic group, effectively controls Down Council through a coalition with the non-sectarian Alliance Party and also holds power in Newry and Mourne through similar arrangements.

The significance of the elections is that they will be the best guide as to whether sectarian divisions have intensified. Local issues are not a major consideration.

Interest has centred mainly on the Rev. Ian Paisley's struggle to overtake the Official Unionists and make his Democratic Unionist Party the main voice of Loyalists in the province.

In the last district elections the DUP gained only 12.7 per cent of the vote and 74 seats, while the Official Unionists secured 29.6 per cent of the total vote and 178 seats.

However, in the 1979 European elections, Mr. Paisley won 29.2 per cent of the total vote, easily outscoring the combined total of the two Official Unionist candidates.

The question is whether this scale of success can extend to Mr. Paisley's nominees. He has been campaigning hard, trying to stoke up Loyalist fears of a sell-out by Mrs. Margaret Thatcher and Mr. Charles Haughey, the Irish Prime Minister.

In recent weeks, however, Mr. Paisley's campaign has been overshadowed by the struggle on the Roman Catholic side. The SDLP won 20.6 per cent of the vote last time and holds 103 seats. This time it is fielding 160 candidates.

The party is considered to have lost face politically by not running a candidate in the Fermanagh-South Tyrone by-election for Westminster on April 9. This seat was won by Mr. Bobby Sands, who died 12 days ago after his 65-day hunger strike.

Provisional Sinn Fein, the political wing of the Provisional IRA, feels that hunger-strike deaths have lined up Republican support behind them and related groups like the National H-Block Committees. They feel that the moderate ground represented by the SDLP has been eroded.

The Irish Independence Party, which is campaigning on the H-Block issue, has nominated a number of candidates. Both it and the Alliance Party will be hoping to gain seats from the SDLP.

Meanwhile, the hunger strike campaign is having an effect on politics in the Irish Republic. Mr. Charles Haughey has twice postponed calling an election, but is now thought likely to announce on Tuesday an election on June 10 or 11. He had been hoping to fight his campaign primarily on the question of Northern Ireland. He contends that his dealings with Mrs. Thatcher have raised Anglo-Irish relations to a new plane.

However, the spate of hunger-strikes and rioting casts doubts on whether he has really made any meaningful political progress.

New oilfield's potential uncertain

BP still does not know how much oil the costly Buchan field in the North Sea will produce, Ray Dafter reports

BRITISH PETROLEUM is about to bring on stream its Buchan field, but is still unsure how much oil it will produce.

The North Sea field, which will be the 17th UK offshire reservoir brought into production, has been developed for £225m, almost double the original estimate of £121m in early 1978, and 22 per cent above budget in real terms.

BP and its partners are testing the production facilities and the field's floating platform is expected to be fully commissioned within the next fortnight—about 18 months behind schedule.

Buchan is one of the smallest North Sea fields to be exploited. The platform can handle 72,000 barrels a day, although the average output is likely to be nearer 50,000 b/d—less than 3 per cent of Britain's present oil production.

Buchan's recoverable reserves have been provisionally estimated at 50m barrels, although this may be increased once BP has accumulated information from the producing wells. The reservoir structure is made up of many oil-bearing "bricks." Oil will flow from the cracks between the "bricks" but BP is uncertain how well oil will flow from the reservoir rock itself.

Another problem has arisen with the production platform. BP decided to convert a drilling rig similar in design to the Alexander Kielland rig which overturned in a fatal accident in the Norwegian sector of the North Sea in March last year. After the disaster, the Buchan platform was re-evaluated and strengthened.

The project has also been dogged by labour disputes, bad weather, and safety restrictions on the number of people who could work on the platform at once. In a paper presented to the Offshore Technology Conference in Houston this month, Mr. Barrie Logan of Matthew Hall Engineering (contractors for the project) and Mr. Eric Rothwell of BP Petroleum Development reported that although a floating platform would work in exploiting a small field, with hindsight a new, purpose-built platform would have been better.

Partners with BP in Buchan are CanDel Oil, St. Joe Petroleum, Natomas, Gas and Oil Acreage, Charterhall, Lochiel, CCP North Sea, City Petroleum and Texaco.

British Petroleum is considering several UK offshore developments, including the exploitation with Phillips Petroleum of the Andrew field, east of Aberdeen. It is also looking at plans for drilling more development wells in the south-east corner of its big Forties field, the most prolific reservoir in the North Sea. Several hundred million pounds could be spent on installing a new fixed platform or a system of underwater well units, in the Forties field.

BP is also working on plans to introduce breakthrough technology in part of the Forties field. The company wants to tease a higher proportion of the available oil out of the reservoir rock. It is likely to inject surfactant chemicals into the reservoir in a pilot scheme aimed at washing some of the trapped oil from the rock pores.

Call for Teaching Council

NEARLY half a million schoolteachers in England and Wales are to be asked to vote on whether they want a general teaching council to watch over their professional interests.

Mr. Robert Balchin, chairman of the Campaign for the General Teaching Council (Catec) said that next autumn his group would write to every headmaster in England and Wales, asking for their co-operation in a research project.

Shipowners win $1m damages

By Raymond Hughes, Law Courts Correspondent

A $1m damages claim against Mexican shipowners has succeeded in the Admiralty Court in London.

Mr. Justice Sheen ruled yesterday that the 12,611 gross tons Toluca, owned by Transportacion Maritima Mexicana, of Mexico City, was responsible for a collision at Bangkok, Thailand, in 1974.

The Toluca's owners had been sued by Investment Promotion Enterprises, of Bangkok, owners of the 2,894 gross tons tanker Visahakit I, the other vessel involved in the collision.

The judge said that the collision occurred at a bend in the Bangkok approach channel.

The Toluca, which was three feet longer than the longest ship then permitted to enter the port of Bangkok, and which had been given special permision to enter the port, had been outward bound, piloted by the port's Director of Pilots.

The judge said that it was unfortunate that the Director had not arranged for in-coming vessels to be warned that a very large vessel was coming out. If such a warning had been given there would probably have been no collision.

The master of the Visahakit had seen that the Toluca was in difficulty and had done his best to avoid a collision. He had exercised reasonable skill and care and the Toluca alone had been to blame for the collision, the judge said.

Boycott call on French poultry

British shoppers should boycott all French poultry imports, the leaders of Britain's farmworkers' union said at the weekend. Thousands of jobs in Britain's poultry industry have been lost in the past 12 months, as heavily-subsidised French birds have come on to the local market.

Mr. Jack Bobby, general secretary of the National Union of Agricultural and Allied Workers, said the French Government was illegally subsidising its poultry industry so it can produce cheaper turkeys and chickens.

"There is no way British companies can compete, and we have pressed farm minister Mr. Peter Walker to ban all poultry imports until this illegal and unfair competition ends," said Mr. Bobby.

"We realise there are reasons why this cannot be done, but the French action is causing massive unemployment among poultry workers in this country. Twenty thousand jobs are at stake."

More than 20,000 tonnes of turkeys—about 5m birds—are in cold store because of the depressed market. All imported French poultry must carry a label, "Produce of France," but some companies, the industry says, put the price stamp over this.

UK producers also say the French openly flout EEC health and hygiene regulations.

Law Lords reject Swiss Bank Corporation claim

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A CLAIM by Swiss Bank Corporation to £828,066 on deposit with Lloyds Bank has been rejected by the House of Lords.

The Law Lords held that SBC had no proprietary interest in, or other legal claim to, the money.

Lord Wilberforce said that there were competing claims to the money by SBC and Lloyds. The fund was the proceeds of a sale by Israel Financial Trust of securities it had bought with the help of a SwFr 9.35m loan from SBC.

The loan agreement provided for IFT to deposit 95 per cent of the sterling equivalent of the loan with SBC. There were also provisions to ensure conformity with Exchange Control Regulations.

IFT deposited the securities it had bought with its parent, Triumph Investment Trust.

The Triumph group of companies got into financial difficulties and was lent £27.5m by Lloyds, repayment to be guaranteed by Triumph subsidiaries, including IFT.

Those guarantees were secured by giving Lloyds a charge over certain group assets. They included the disputed securities, which were transferred to Lloyds and subsequently sold with its consent.

SBC's contention that its loan to IFT had given it a legal interest in the securities had been upheld by the High Court, but rejected by the Court of Appeal.

Lord Wilberforce said that there had been no agreement about how the loan was to be repaid by IFT to SBC, except that the repayment had to conform with exchange control regulations and the Bank of England's consent to the loan.

The fact that the loan agreement contained an express charge on the sterling deposited with SBC argued strongly against any intention to create a charge on the disputed securities, said the judge.

The Law Lords also rejected SBC's contention that Lloyds had no valid secured claim to the £828,066.

UK NEWS—LABOUR

Firemen may act over pay link

BY CHRISTIAN TYLER, LABOUR EDITOR

THE FIRE Brigades Union, which went on strike 2½ years ago to win index-linking for firemen's pay, may threaten industrial action if the link is broken this autumn.

Rank and file delegates to the FBU's annual conference opening in Bridlington tomorrow are being asked for a unanimous vote authorising a series of one-day national strikes.

But before issuing any threat to the local authorities who employ the 30,000 FBU members, the union will see whether employers' minds have changed following local government elections this month.

Local authorities, constituency parties, MPs and the public will be canvassed for their support of the pay link.

After the last pay negotiations, when they attempted unsuccessfully to break the formula, employers' said they would not implement it this year.

The formula, secured after a nine-week strike in the winter of 1978-9, ties the fireman's wage to the upper quartile of male manual workers' earnings.

This week's conference will also be asked to condemn cuts in the fire service.

Mr. Ken Cameron, FBU general secretary, says in his union's journal that in the last year the Home Secretary had approved the removal of 1,210 full-time posts, 185 part-time posts and 81 fire appliances.

In addition, there were nearly 1,500 unfilled posts because of a recruitment freeze. Government proposals in a Green Paper last year for changing the 1958 standards of fire cover could mean the loss of about 3,500 posts.

"The employers in their drive to make cuts in fire service costs have totally abandoned any pretence of continuing to honour agreements previously made on the national joint council," Mr. Cameron said.

The "most blatant" example was their declaration about the pay link, but manning agreements reached at the end of the strike were also being abandoned.

British Caledonian proposes pay freeze

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH CALEDONIAN AIRWAYS has asked its 6,000 staff to forgo pay rises this year to help the independent airline through the depths of the recession.

Under a two-year agreement, the staff would normally have been eligible for an 8 per cent rise.

The request is one of several economy measures being taken by the airline, including closing the 350-strong catering unit which prepares meals for its flights and contracting that business to an outside organisation.

The staff involved are being offered work elsewhere in the group.

The aim is to avoid redundancies where possible, but by improving efficiency to ride out the recession, which has bitten deeply into the UK air transport industry in the past winter and spring.

For the year to the end of last October, the Caledonian Airways group of aviation, travel and hotel companies earned an overall profit of £9.7m.

This has been eroded through the winter, although the group is still budgeting for a profit this financial year.

The current air traffic control disputes, which have often shut Gatwick Airport, the airline's main base, and forced the cancellation of many flights, is causing severe damage to the airline as well as to other British and other foreign airlines.

Airport closures as a result of the strikes cost British Caledonian up to £250,000 a day. It has already lost many hundreds of thousands of pounds in lost revenues and extra charges for aircraft and passengers delayed.

Across the air transport industry, the effect of the controllers' actions is now measured in losses of millions of pounds. Airlines like British Caledonian are dreading any week-long dispute, as threatened by the civil service unions.

British Caledonian said such a strike would be disastrous not only for itself but probably for the entire air transport system, including many foreign airlines who are in no way parties to the dispute but who, with their passengers, are hit by it.

Whether British Caledonian employees will all agree to forgo pay rises remains to be seen.

One encouraging sign is that the pilots in the British Air Line Pilots' Association have told Mr. Alastair Pugh, British Caledonian manager director, that they will support the airline, but so far there has been no formal response from other unions.

Union looks at incomes policy again

By John Lloyd, Labour Staff

THE EXECUTIVE committee of the Association of Scientific, Technical and Managerial Staffs, is to review the union's position on incomes policy.

Mr. Clive Jenkins, ASTMS general secretary, said yesterday that while it remained opposed to such policies, the union was "in a dilemma" because of its past strong support for the Clegg Commission, which sought to establish comparability between various groups of public sector workers and the private sector.

Mr. Jenkins said that this stance had made it imperative to re-examine the issue.

However, he said that the TUC and the Labour Party would be unlikely to agree on an incomes policy in the near future and that it was "low on the agenda" of talks being currently held between the two sides of the Labour movement.

Mr. Jenkins said that support for a legal limitation on working hours was growing among senior trade unionists. He believed that it would feature in the talks between the TUC and the Labour Party and could become part of a jointly agreed programme for the next Labour Government.

Attack on TUC over 'partiality'

By Our Labour Editor

The leaders of a white-collar trade union affiliated to the Trades Union Congress has again accused the TUC of not upholding its constitutional neutrality between political parties.

Mr. John Lyons, right-wing general secretary of the Engineers and Managers Association, has this time also challenged Mr. Alan Fisher, general secretary of the Left-wing National Union of Public Employees and this year's TUC chairman.

Mr. Lyons said in a speech to his union's shipbuilding members on Saturday that the TUC chairman occasionally spoke on internal Labour Party issues as if he was spokesman for the whole trade union movement.

The traditional relationship between the TUC and the Labour Party should be ended if the Labour Party "lurched far to the left as it is clearly in the process of doing," Mr. Lyons said.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Current	Wholesale Buyers' (Spring) Gift Fair (01-855 9201) (until May 20)	Olympia
Current	London Furniture Show (01-385 1200) (until May 21)	Earls Court
Current	Interior Design International '81 (01-540 1101) (until May 21)	Olympia
May 19-22	Chelsea Flower Show (01-834 4333)	Royal Hospital
May 20-21	Print Fair '81 (01-253 9356)	Bloomsbury Centre Htl., WC1
May 25	County Show (04868 22184)	Guildford
May 27-29	European Liquefied Petroleum Gas Congress and Exhibition (01-894 1041)	Royal Festival Hall
May 27-29	Management Services Exhibition for the Retail Motor Trade—MOTRADEX (0225 318500)	Kensington Exhibition Centre
May 29-June 5	Institution of Electronics Exhibition (0706 43661)	Ingliston Showground
June 2-5	International Scientific, Educational, Medical and Industrial Laboratory Equipment Exhibition —SEMLAB (021-705 6707)	Olympia
June 4-13	Fine Art and Antiques Fair (01-385 1200)	Olympia
June 7-10	Times and Sunday Times Business to Business Exhibition (01-407 4046)	Earls Court
June 15-18	International Water Industry Conference and Exhibition (031-557 2478)	Metropole Hall, Brighton
July 1-5	International Cycle Show (01-643 8040)	Harrogate

OVERSEAS TRADE FAIRS AND EXHIBITIONS

May 19-22	International Energy Management Exhibition and Congress—ENERGY (0727 63213)	Essen
May 20-22	Videotex '81 (08274 28211)	Toronto
May 21-26	National Textile Industry Fair—FENIT (01-408 2104)	Sao Paulo
May 22-26	International Accessory, Machinery and Materials Fair for Furniture Production, Interior Decorating and Furnishing — INTERZUM (01-409 0956)	Cologne
June 2-8	International Trade Fair for Machinery and Equipment for the Wood Industries LIGNA (01-651 2191)	Hanover
June 5-14	International Aeronautical Exhibition (01-439 3964)	Paris
June 11-15	International Carpet, Wallpapers, Wall Coverings and Furnishing Textiles Exhibition (01-439 3964)	Paris

BUSINESS AND MANAGEMENT CONFERENCES

May 18-19	Government Research Corp.: World Gold (01-370 3176)	Guildhall
May 19	Dun and Bradstreet: Understanding Credit and Collections—for collection personnel (01-247 4377)	Portland Hotel, Manchester
May 19	Mr. Ian MacGregor, British Steel Corporation chairman, speaks at American Chamber of Commerce lunch (01-493 0381)	Hilton Hotel, W1
May 20	University of Leeds: Reducing Industry's Transport Problems (0532 35036)	Leeds
May 21	European Study Conferences: Tax planning and management of stock relief in the light of the Finance Bill (057282 2711)	Selfridge Hotel, W1
May 21	Comprimo: Chemical Industry in the years 1985-2000 (31 20 598 3211)	Amsterdam
May 26	Industrial Relations Briefing: Sick pay scheme—the changes (01-289 1158)	London
May 28	The Institution of Taxation: Finance Bill '81 (01-235 8847)	Royal Lancaster Hotel, W2
June 1-2	Management Centre Europe: Do the old rules still apply? (Brussels 2190390)	Brussels
June 1-2	FT Conference: The role of international companies in Saudi Arabia's development plans (01-621 1355)	Grosvenor House, W1
June 1-2	FT Conference: Energy supplies—feast or famine? (01-621 1355)	Hilton Hotel, W1
June 2-3	Lloyds of London Press: Marine Insurance '81 Hull Conference (01-353 1000)	London Press Centre, EC4
June 3	FT Conference: Financing World Air Transport Expansion (01-621 1355)	Paris
June 4	Abacus Conferences: Investigations by European and United States Completion Authorities (0604 881300)	Café Royal, W1
June 8-12	IPM: Methods in Interpersonal Skills Training (029383 344)	Horsham
June 9-11	Varian: Leak detection seminar (Switzerland 04223 44 33)	Massachusetts, U.S.
June 10	ICETT: Symposium for Chinese Research Workers in UK (05827 68219)	Central London Polytechnic
June 10-11	AMD: Communication and Confidence Development for Managers (07535 56047)	Penta Hotel, SW7
June 12	Oyez-IBC: Financial Modelling (01-242 2481)	Royal Lancaster Hotel, W2
June 15-17	Quantum Science Corporation: MAPTEK annual strategy conference—The next generation of distributed processing and communications technologies (01-839 5347)	Grosvenor House Hotel, W1
June 15-16	FT Conference: American Foreign Trade and Investment (01-621 1355)	New York
June 16	RTD: Disposal of hazardous waste (0428 53911)	Mount Royal Hotel
June 17	LCCI: Working or investing in the United States—the law and practice of securing immigrant and non-immigrant visas (01-248 4444)	Cannon Street, EC4
June 17	IPS: The negotiation and commercial management of plant and engineering contracts (0990 23711)	Kensington Palace Hotel, W8

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

To the 348 readers of this paper who will fly to America on business this week.

First, bon voyage and success to your trip.

But, after 8 hours sitting in a long metal tube, will you still be an astute businessman when you reach America?

We believe you can be. With a little help from us.

If you're going anywhere west of Atlanta or south of St. Louis, we can probably start by reducing the number of hours you spend in the air.

All our flights to Atlanta, Houston, Dallas/Ft. Worth and St. Louis are non-stop. And changing planes at any of these one-terminal airports is a lot less hassle than changing at overcrowded New York.

Just as starting from one-terminal Gatwick is a lot less hassle than starting from overcrowded Heathrow. Especially if you're connecting through from Glasgow, Edinburgh or Manchester.

Next, we can make you more comfortable.

These days nearly all transatlantic airlines promise the businessman some sort of special Executive Service that gives you extra free drinks.

What no other airline has on these routes, however, is a separate Executive cabin that gives you extra free space – on every single flight.

At British Caledonian our Executive Cabin actually is a separate room within the plane, just as First Class. With extra legroom and only eight seats across instead of the usual nine.

In fact, our Executive Cabin is so comfortable, we've had to come up with something rather special in First Class to beat it.

Namely Skylounger seats.

You've probably heard about these special seats that turn into sleepers. Most airlines have a few of them on long flights.

But only British Caledonian give one to every first class passenger on these non-stop routes.

Why do we offer more than the other airlines? Quite simply because, unlike most national airlines, we're an independent business.

To stay in business, we have to compete.

If we didn't run a better airline, we wouldn't have an airline to run.

British Caledonian Airways

We never forget you have a choice.

TECHNOLOGY

EDITED BY ARTHUR BENNETT AND ALAN CANE

Tandem in space for communications

BY GEOFFREY CHARLISH

ONE OF the most remarkable co-operative ventures in international spaceflight and electronics will come to practical fruition on May 21 when the second Intelsat V communications satellite joins the first, 23,000 miles up over the Atlantic to allow live traffic to be carried.

The first craft, launched in December, has been "parked" undergoing intensive testing and as is customary, operational service does not start until after launch and orbital check out of the second unit.

At the 1.3m square feet complex of Ford Aerospace and Communications Corporation (FACC) at Palo Alto in California, recently shown to the Financial Times, 3,900 personnel with near-unique knowledge and skills are now approaching their 50th successfully launched craft with a total orbital time of 200 years.

The orders for Intelsat alone total $235m — the company is to deliver seven and has an option on eight more. In all, FACC turns over $900m annually in satellites, ground stations, control systems and *other communications* equipment.

Solar array

With FACC as prime contractor to the 105-nation International Telecommunications Satellite Corporation (Intelsat), contributions have been made by Britain's GEC-Marconi (the 11 GHz beacon transmitter), Messerschmitt Bolkow-Blohm in Germany (attitude control and the sun tracking solar array) and Mitsubishi (earth coverage aerials).

The satellite uses travelling wave tubes (the radio frequency power generators) from France (Thomson-CSF) and has a body structure and thermal control system made by Aerospatial in France.

The Italian company Selenia has contributed the telemetry *and command systems*. Ford has had the considerable task of total integration and is also designing and making the basic communications package.

Interesting management techniques to "get it all together" have been employed by FACC. L. J. Bruno, deputy programme manager explains: "The team shares risks and rewards. If, for example, one of the contractors is involved to the level of five per cent of the delivery price, then if all goes well he will receive 5 per cent of a "reward fund" derived from the satellite's revenues. Risks are apportioned in the same way.

But it has not all been plain sailing and the project is running about a year late.

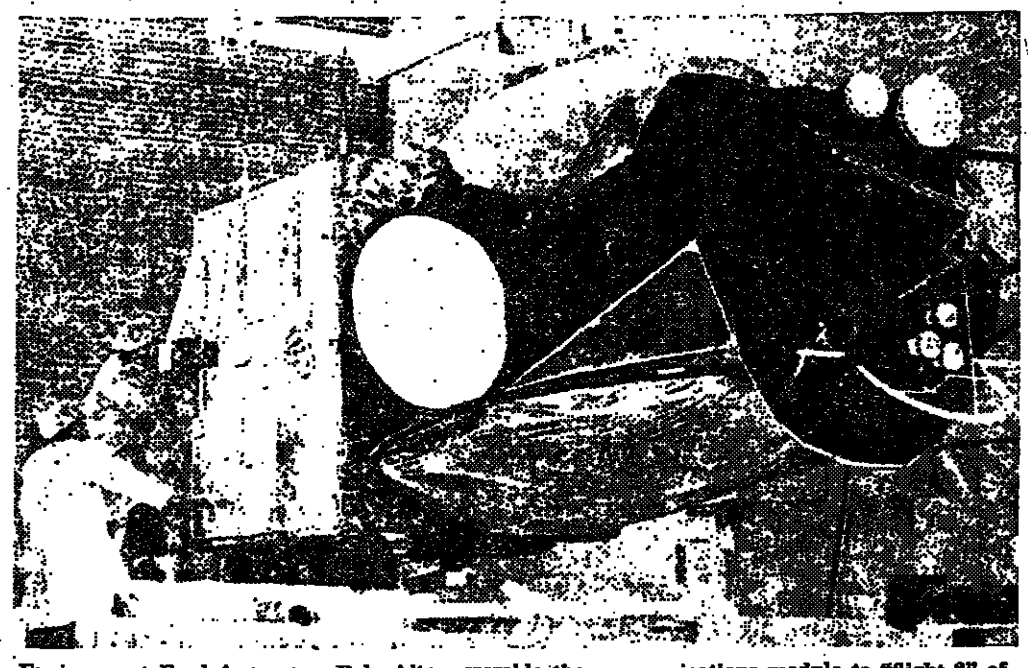
Technically and economically, "15" as the Palo Alto staff call the craft, is a far cry from the I1 that went up in 1965 and relayed 240 telephone channels at an investment cost per circuit-year of £35,000.

The figures for I5 are 12,000 channels and $800—and probably 14 or 15 of the satellites will be launched altogether, an indication of the rising demand for international telephone channels and their reducing cost.

To squeeze as many channels as possible out of I5 the operational frequencies (4, 6, 11 and 14 GHz) are used twice without mutual interference by employing oppositely polarised waves. Further frequency re-use is produced by beam isolation—several well-defined radio beams pointing in adequately different directions can operate at the same time on the same frequency.

Another intriguing feature of I5 is "foot-print shaping." The coverage area of the beams striking Earth—the foot-print—can be roughly tailored to match the land mass shapes, ensuring that the radio signal power is put where it is needed and not wasted on ocean surface.

This effect, which can be varied to suit the overall coverage area of the satellite, is achieved by using 2.5 and 1.5 metre offset-fed parabolic reflectors illuminated by clusters of square section feed horns. There are 88 of these altogether, selectively switched and fed at suitable levels of power and phase to give the right foot-print.



Engineers at Ford Aerospace, Palo Alto, assemble the communications module to "flight 2" of Intelsat 5.

The dishes, horns and feeding waveguides are all made from carbon fibre with internal surfaces copper plated by a proprietary Ford process. Substantial payload savings have thus been made because these components are customarily made from metal.

Further weight reduction will be achieved in later versions of Intelsat V by using newly-developed nickel hydrogen batteries rather than the present nickel cadmium variety.

This is also the first Intelsat craft to use three axis thruster stabilisation rather than spin stabilisation: small jets of gas are used to send the satellite gently in any desired direction to correct the orbit or the attitude. In this way the 16 metre dual-arm solar collector can continually track the sun while the dishes continually point at the Earth.

A large proportion of the space at Palo Alto is devoted to testing the structure and contents of the craft must be able to stand up to the vibrational/acoustic environment of launch and the subsequent thermal cycling in orbit brought about by the satellite's daily eclipse.

Thus, in one facility the whole satellite can be accommodated in a 39 feet spherical chamber with switched infra-red radiators on the walls to simulate the sun. The whole chamber can be evacuated to levels approaching that of space. For 16 days of testing, everything is closely monitored electronically.

In another cavernous chamber lined with radio frequency absorbing material the power levels and coverage patterns of the radio equipment can be measured in radio conditions near to those of space.

This 34 building complex has other irons in the fire apart from Intelsat V. It has built Skynet for NATO, is currently developing INSAT I for India and has a similar project on hand for the Japanese Government.

And it is already thinking about Intelsat VI.

Ring main for hydraulic power

HYDRAULIC power for the many production operations at the newly-opened Stanton and Staveley (British Steel Corporation) large-diameter spun iron pipe plant near Ilkeston is provided by a £350,000 ring main system designed, supplied, installed and commissioned by Abex Denison, Burgess Hill, Sussex (04446 5121).

The system makes extensive use of Abex Denison hydraulic control components, including the latest F5C proportional control valve which is claimed to ensure steady acceleration and deceleration involved in moving heavy machines and pipes during the various stages of manufacture. It is served by what is claimed to be one of the largest hydraulic power packs ever supplied as a single unit.

Known as the Hallam plant, the new factory is claimed to apply the advanced flow-line production techniques to spin, heat-treat and finish ductile iron pipes of 900 mm to 1,600 mm diameter in 8-metre lengths.

Abex Denison hydraulic control components were also selected by Stanton and Staveley for use on all the purpose-built machines. Maintenance manuals for the hydraulic systems were written and produced by Abex Denison under a separate contract worth £25,000.

Alloys that stretch beyond proper limits but do not fail

SOME METAL alloys have the peculiar property of developing superplasticity at specific temperatures. In other words, they become super stretchy. A conventional aluminium alloy may stretch 15 or 20 per cent before failing. A superplastic alloy might stretch 100 per cent or more.

These alloys have been known for some time—chiefly as zinc based alloys but their disadvantages meant that commercially they were little more than curiosities.

There is, for example, the story of the Mini body created in superplastic alloy which became imprinted with the shape of a spanner left carelessly on its roof.

A team of researchers from Tube Investments and British Aluminium took the Queen's Award this year for a development which turned superplastic alloy from laboratory novelty to commercial reality.

The product Supral has now been used for a variety of exotic and some less exotic purposes.

They include the cladding on the entire outside of the Sainsbury arts centre building at the University of East Anglia, the body panels for the Aston Martin Lagonda super saloon and the head rest and parachute box for the Martin Baker ejection seat.

Supral is an aluminium alloy with a critical amount of Zirconium added. At 450°C, the alloy becomes superplastic and can be "blown" into moulds as easily as plastic.

It can be used for components in production runs of between 20-10,000. (Below 20, panel beating is best; above 10,000, conventional tooling becomes cost competitive.)

Other superplastic metals are in development but these are extremely rare—stainless steel and titanium for the defence business — but in the commercial use of superplastic alloys that can be exploited commercially, Tube Investments and British Aluminium seems to have a long lead.

Their joint company, set up to market the new alloy, is called Superform Metals.

Philips launches pocket radiation monitor

A COMPACT 350-gramme unit claimed to be the first-ever pocket radiation monitor to measure both exposure rate and accumulated dose has been introduced by Philips Science and Industry Division. Designed for maximum security and convenience, it will measure beta, X-ray and gamma radiation.

A four-digit LCD shows both monitoring functions while an audible alarm sounds for a minimum of five seconds if the exposure rate exceeds any of six pre-set levels: 0.5, 2.5, 10, 25, 100 and 250 mR/h. The maximum exposure rate measurable is 999 mR/h. The unit is marketed in the UK by Pye Unicam, Cambridge (0223 358866).

POINTERS

Cold adhesive

A SOLVENT-FREE, cold-application adhesive claimed to effect spontaneous curing when passed through an electron beam has been developed by the West German company, Maschinenfabrik Max Kroenert, and is now being marketed in Britain by the Engelmann and Buckham Group, Alton, Hants. (0420 82421).

Further progress with the new adhesive technique, known as Wikolin Polytron, will depend largely on its acceptance and approval for food packaging applications.

Robot range

A RANGE of robots for loading and unloading small castings, forgings and stampings up to 5 kg in weight, and said to be *capable of serving transfer* machines and automatic lathes with time cycles as short as 3½ seconds, has been introduced to the UK market by Clark International Machinery, Coventry (0203 450647). The machines are made by Masat, of Turin.

Sealing the joint

JOINTS between precast concrete wall panels can often be penetrated by fire or hot gases and cause fire to spread through a building.

Tremco of West Drayton, Middlesex, has seen a marketing opportunity here and has come up with a sealing product which can be located in the joint in conjunction with already established sealants in the Tremco range.

The product is called Cera*blanket FS and is described* as a ceramic fibre insulation blanket made from alumina-silica fibres manufactured by Johns-Manville of Denver, Colorado. Full details from Tremco (089 54 40641).

Electroloids' automatic pcb plater

Plating the pcb at speed

AUTOMATIC machines for the high-speed stripping and the plating of printed-circuit board edge contacts are now being manufactured and marketed in Britain by Electroloid, Aylesbury (0296 28011), under a recently completed licensing agreement with the U.S. company, Technic.

The machines are designed to perform the laborious and manually difficult task of removing the masking tape from printed circuit board edge contacts and carrying out accurate selective plating with nickel and/or gold. The boards are stripped, cleaned, plated and washed in a fully automatic sequence.

Two sizes of machine are available. The larger can process board at the rate of 10 ft to 12 ft/min and the smaller at 4 ft to 6 ft/min. The distribution of deposited metal at these feed rates can be controlled to plus or minus 5 per cent, based on nominal thicknesses of 0.002-in of nickel and 0.0001-in of gold.

The edge platers are claimed to be particularly suitable for relatively large volume output where high speed, accuracy and economy are required. An unskilled operator can be trained in a single shift, says Electroloid.

3UILDING AND CIVIL ENGINEERING

:11m dam in E. Midlands

. DAM and ancillary works for major new reservoir in the ist Midlands is to be built by ephard Hill under an £11m ntract awarded by the Severn-ent Water Authority. It is the ggest contract awarded by vern-Trent and the reservoir ill be able to supply 52m llons of water a day.

Work on the dam, at Carsing-n, Derbyshire, is expected to gin early next month and ll be phased to permit the ling of the 725-acre reservoir start during the winter of 84.

About 2.6m cu yds of material from within the reservoir site will be used to fill the dam, which will be 3,800 ft long and 115 ft high.

The road works, now being built by Robert McGregor and Sons to enable Shephard Hill to reach the main site of the dam and reservoir, are due for completion soon. But work on the Carsington by-pass has been delayed by poor weather and bad ground conditions and will not be finished until the end of the summer.

The £40m reservoir scheme will meet the increasing demands for water of 3m consumers in Derbyshire, Nottinghamshire and Leicestershire.

Water will be taken from the River Derwent during the winter and pumped along a seven-mile aqueduct to the reservoir. In dry weather the water will be released back into the river to allow work to continue.

Another large contract for the construction of the aqueduct—most of it in tunnel—will be let within the next two months.

£4½m awards to Douglas

TWO MAJOR contracts with a total value of £4.58m are announced by R. M. Douglas Construction, Birmingham. The larger, valued at £2.89m, is for building an enriched residue recovery plant at Springfield for British Nuclear Fuels. The structural engineers are W. S. Atkins and Partners, while the architects, engineers and quantity surveyors are all on the staff of the UK Atomic Energy Authority. Work has already started and the contract period is 23 months.

The other contract, valued at £1.69m, is for building a shopping centre at Penplas, Swansea, for CRS. The architects are the Merak Partnership. Work is due to begin soon and the contract period is 65 weeks.

New store for Tesco in Devon

WORK IS due to start next week on a £3.9m superstore in Newton Road, Newton Abbot, Devon. The contract has been awarded to Taylor Woodrow by Tesco Stores.

The contract calls for the construction of a single storey, steel-framed sales area, covering about 35,000 square feet together with a 2-storey, reinforced concrete-framed service area. The whole block will occupy about 50,000 square feet.

The new store will contain its own bakery and there will be a staff restaurant, offices and storage areas.

Surrounding land is to be used as a car park with about 480 spaces at ground level and a further 80 on a double-storey car park.

Architect for this project is Norman J. Hitchcock, with Taylor Woodrow Construction as structural design consultant and The Spicer Partnership as quantity surveyors.

Bus station improvements

EFURBISHMENT of Victoria oach Station in Buckingham alace Road, London, SW1, is be carried out for the ational Bus Company by rollope and Colls (City). Value the contract is more than 4m.

An additional floor is to be dded to the station's office lock and coach booking and iquiry facilities are to be improved. Plumbing, heating, ventilating and electrical services are to be renewed and new lifts are to be installed.

Architects are The Fitzroy Robinson Partnership, quantity surveyors are Kenneth Kensall and Partners, the structural engineers are John Farquharson Partnership while mechanical services will be Sandy Brown Associates.

Offices and factory project

THE SOUTHERN region of Miller Buckley Construction has been awarded a contract worth £2.45m by Worldwide Estates. The project includes the building of offices, a factory with a gross floor area of 6,000 square metres, and a basement car park at Basingstoke, Hampshire, for International Air Radio.

A turf-cutting ceremony was held on May 7 and the work is due for completion in about one year.

Chemical plant ordered

A CONTRACT worth £4m for the provision of project management, engineering procurement and construction management services for a new hydrofluoric acid plant at ISC Chemicals, Avonmouth, has been awarded to Matthew Hall Engineering.

When complete, it will replace the existing production units with equipment of significantly greater capacity using the latest Buss technology.

The plant will be continuous and will comprise a small facility for drying fluorspar in wet filter-cake form. It is expected to go on stream early in 1983.

Car park and earth-moving tasks

CONTRACTS valued at more than £3.3m have been awarded to companies in the London and Northern group. Under the largest, at Ballymena, Northern Ireland, W. and J. Taggart has won a £1.65m contract to build a multi-storey car-park for the Department of Environment Road Services.

In Surrey and Kent C. A. Blackwell (Contracts), Earls Colne, Essex has won two earth-moving contracts together worth £640,000. They are on the Capel by-pass for Surrey County Council, where the main contractor is Bovis Civil Engineering, and on the port facilities for Blue Circle Industries at Stone Marshes, Greenhithe, where the main contractor is John Laing Construction.

In the north, Border Engineering Contractors has won new contracts totalling more than £1m, including alterations and extensions to the Crown Inn at Wetheral for Shire Inns, the new Health Centre at West Linton for the Border Area Health Board, and the Tweedbank Village Centre at Galashiels for the Scottish Special Housing Association.

Offices in Cardiff by McAlpine

AN OFFICE block in Newport Road, Cardiff, is to be built by Sir Robert McAlpine and Sons for Sun Life Properties under a contract valued at £2.866m. Work will begin immediately on a brick-clad, reinforced concrete frame structure comprising four blocks of varying height on piled foundations and surrounding a central courtyard at first-floor level.

Nearly 8,000 sq metres of floor space will be provided in a centrally heated complex served by three passenger lifts. Completion is due late next year. The architects are Atkins, Sheppard, Fidler and Associates and the consulting engineers W. S. Atkins and Partners.

Power on the site

EMPORARY electrical power ipplies for the £20m Trocadero iops and entertainment comlex in London's West End are eing supplied by Wysepower nder a contract worth about 75,000.

The complex is being built by ovis Construction for Elecicity Supply Nominees on a vo-acre site bounded by Coveny Street, Shaftesbury Avenue, Rupert Street and Great Windmill Street and at present is one of the largest projects being undertaken in the UK by Bovis.

A much bigger contract for Wysepower was reported on this page last week—this was the £350,000 award for power supplies on the site of the new Lloyd's of London building in the City.

Five awards to Tilbury total £1.8m

FIVE contracts totalling some £1.8m, has been won by the Tilbury contracting group.

The biggest, worth about £1.8m, has been placed by Costain and is for blacktop surfacing on the M25 from Ockenden railway bridge to Brentwood, Essex. Work starts in June.

Work will also begin soon on extensions to the Victoria deep-water terminal at Greenwich in south-east London. This job is worth about £173,000.

On the M5, two miles north of junction 14, the company is to construct a £145,000 structural steel footbridge linking the Michael Wood service areas, while at Horsemere Green, Littlehampton, Sussex, foul sewers, manholes and a pumping station are to be constructed under a £121,000 contract placed by Arun District Council.

The smallest job is a £55,000 improvement scheme at A. W. Sawney and Son's, High Wycombe, Bucks., car showroom and forecourt.

Shepherd wins five contracts

FIVE contracts with a total value of nearly £2.4m have been won by the Manchester area of Shepherd Construction. The biggest, worth nearly £600,000 and awarded by Trafford Borough Council, is for a new swimming pool at Broadoak School, Partington. Completion is due in September next year.

Another educational contract, worth more than £430,000, is for a single-storey extension, with corridor links and other alterations, at Whittaker Moss School, Norden, Rochdale, for Rochdale Borough Council.

The contract period is 15 months, with completion due in the summer of next year.

A re-roofing contract valued at more than £500,000, is to be carried out for Oldham Borough Council at Primrose Bank, Oldham, where flat roofs are being replaced by pitched roofs. The architects are the Charter Building Design Group, Bedford, and the work is due for completion next January.

At Oldham District Hospital work has just started on a contract worth nearly £460,000 to construct a works department and ancillary buildings for the North West Regional Health Authority. Completion is due in June next year.

An extension to Rusholme telephone exchange, valued at £400,000, is to built by Shepherd for the Post Office Telecommunications Board.

The architects are Essex Goodman and Suggitt, Manchester, and completion is due in July next year.

Diplomats to get a sports club

A SPORTS CLUB for foreign diplomats in the new Diplomatic Quarter of Riyadh, the capital of Saudi Arabia, is to be designed by Arup Associates, who will provide architectural, engineering and quantity surveying services. The company has been commissioned by the special bureau for the diplomatic quarter project set up by the Saudi Ministry of Foreign Affairs.

The sports club will serve the recreational needs of the 25,000 residents of this area of diplomatic missions. Within a site of about 10 hectares it will provide facilities for a wide range of outdoor and indoor sports, dining rooms and garden restaurant areas.

Steelwork ordered for factories

A CONTRACT valued at more than £430,000 for the supply of structual steelwork for eight advance factory blocks housing 45 separate units on the Orton Southgate industrial area of Peterborough has been awarded to the Wall enginering company, North Walsham, Norfolk, part of the Amsteel Group.

The main contractor for the project is Robert Marriott, Rushden, Northants, part of the French Kier Group. Mr. Keith Maplestone, the architect, and the consulting engineer, Mr. Kenneth Hutton, are both on the staff of Peterborough Development Corporation.

More work for Fairclough

ONTRACTS valued at nearly 1m for industrial and public ithority work in the Midlands ave been awarded to Fairough Building. The biggest, orth £490,000, is expected to elp to provide new jobs in ie unemployment black spot Telford. It involves extendig a new factory to produce lastics film and sheeting.

The building contract, for an xtrusion hall and an ancillary tructure, has been awarded by he Telford Development Cororation, though the factory vill be occupied by a West ierman company, Bischof Und Klein.

The work, which includes lterations to the existing new actory building on the Hortonood Industrial Estate, is due or completion in November.

At Tamworth, Staffordshire, Fairclough is working on a new Post Office delivery office under a £460,000 contract for the Property Services Agency. The office, which is intended to co-ordinate delivery services in the Tamworth area, is due for completion in July next year.

Bank job in Saudi Arabia

A BRANCH of the Saudi British Bank situated at Buraidah, about 250 miles north of Riyadh, is to be built under a £2.7m management contract awarded to Laing Wimpey Alireza, which has its head office in Riyadh. The branch is part of the Saudi British Bank's development in Saudi Arabia.

Completion is due within 18 months, with partial completion in 15 months. Consultant services for the project are being provided by Consulting Architectural Corporation in association with Robert Matthew, Johnson-Marshall and Partners.

Esso pipeline project

PROJECT management, engineering design and inspection services for Esso Petroleum Company's south-east pipeline scheme, are to be provided by Pencol Engineering Consultants.

The project involves a multi-products oil pipeline 10 inches in diameter and about 72 miles long running from Alton, Hants, via Gatwick and Dartford and crosing the Thames to Purfleet, Essex.

The pipeline will be linked to the existing Fawley/West London pipeline and will transport aviation fuels to Gatwick Airport. It will also handle other refined petroleum products for distribution from Esso's terminal at Purfleet.

IN BRIEF

A RARE eighth-century coin, a silver sceatta, smaller than a new ½p piece, spotted by a building worker during the construction of the Mews, Aldwark, housing development in York, has been presented to the York Archaeological Trust by the developer, Shepherd Homes. The coin was struck in the reign of Eadbehrt, King of Northumbria (AD 737-58).

CONTRACTS AND TENDERS

NATIONAL DEVELOPMENT CORPORATION

PULP AND PAPER PROJECT

CONSTRUCTION OF MILL TOWNSHIP FACILITIES

1. The National Development Corporation (NDC) through the subsidiary company the Southern Paper Mills Company Limited is building an integrated pulp and paper mill near Mufindi, Iringa Region, Tanzania.

   The complex includes township facilities to be constructed for the Pulp and Paper Project employees, adjacent to the site of the Pulp and Paper Mill.

2. Financing of the Township facilities with adequate services for necessary staff of the Pulp and Paper Mill is by the Tanzania Government assisted by the Kuwait Fund for Arab Economic Development.

   2.1 Payments will be made at the request of NDC, subject to the approval of the Financiers, directly to the account of the Contractor.

   2.2 The use of the funds from the Kuwait Fund are restricted to goods and services produced in the countries approved by the Kuwait Fund; and the use of Tanzanian funds is restricted to goods and services produced in Tanzania. Tenderers shall therefore be required to limit their choices of subtenderers accordingly and shall be required to identify their expenditures in other countries.

3. The township facilities with adequate services for necessary staff of the mill include:
   - —about 661 houses totalling approximately 50,000 m² floor area for accommodating up to about 5,000 persons (i.e. mill employees and their families).
   - —approximately 12 km of various quality roads, and requisite paved pedestrian areas.
   - —water supply, surface water and foul sewage systems, electrical distribution network.
   - —preliminary and final design of sites and services area comprising about 6 km of various quality roads, requisite pedestrian, surface water and foul sewage systems and electrical distribution network.
   - —earthwork and landscaping and also soils investigation.

   3.1 The site is situated approximately 700 km southwest of Dar es Salaam in Iringa Region. Presently access is via about 640 km along the Tanzania Zambia Highway to Nyindo (about 10 km before reaching Makambako), and then via approximately 64 km of unpaved road.

4. A Consultant for Design and Supervision is presently being selected. It is planned that the Design and Supervision Consultant shall be selected in May 1981; tender documents for construction shall be prepared by 15 August 1981 and an award of contract is scheduled to be made by 10 November 1981.

5. Contractors wishing to be considered for this work must be experienced in township construction and working on isolated sites. They must be capable of mobilising quickly the necessary staff, equipment and materials to be self-supporting and efficient. Contractors with expertise in "system building" should submit details of their methods and equipment. NDC will prequalify prospective contractors capable of being responsible for all works taking into account their proven ability to perform, their financial soundness and current experience in similar projects.

6. Applications should be submitted giving the following details:

   6.1 Record of similar projects completed in the last five (5) years.

   6.2 Financial statement of last year and a summary of last three (3) years.

   6.3 Detailed reports on company structure.

   6.4 Curriculum vitae of key staff giving educational background and employment experience.

   6.5 Details of equipment and resources, e.g. any mobile offices equipment, workshops, etc., which will be available for this work.

   6.6 If special sub-contractors would be employed on any part of the works then full details as 6.1 to 6.5 inclusive above should be submitted.

7. Contractors with proven ability in the above are invited to submit their prequalification documents in TRIPLICATE by 14.00 hours on Monday, 15 June 1981. Requests for prequalification by telex shall not be considered. Envelopes with documents are to be marked as follows:

   PULP AND PAPER PROJECT
   MILL TOWNSHIP FACILITIES
   PREQUALIFICATION FOR CONSTRUCTION

   and sent as follows:

   2 copies: **National Development Corporation**
   c/o P. R. Sandwell & Co. Ltd.
   Radstock House
   5 Eccleston Street
   London SW1W 9LX
   England
   Attention: Project Manager

   1 copy: **AB Statens Skogsindustrier**
   Sveavagen 59
   S-105 22 Stockholm
   Sweden
   Attention: Mr L. Maartmann

8. All correspondence on this matter is to be addressed as follows:

   National Development Corporation
   c/o P. R. Sandwell & Co. Ltd.
   Radstock House
   5 Eccleston Street
   London SW1W 9LX
   England
   Attention: Project Manager
   Telephone: 01-730 5155
   Telex: 916320 LONSAN G

COUNTRY ROAD BOARDS

THE HIGHWAY AUTHORITY FOR THE STATE OF VICTORIA
AUSTRALIA

WESTGATE FREEWAY PROJECT

SOUTH MELBOURNE SECTION

PRE-REGISTRATION OF CONTRACTORS FOR CONSTRUCTION OF ELEVATED CARRIAGEWAYS

The West Gate Freeway will be Melbourne's major eastern approach road to the West Gate Bridge. The elevated section of the freeway will consist of two parallel bridges, each 1.85 km long. The contract for the elevated carriageways for which pre-registration is now being invited includes the construction of the superstructure, pile caps and pier shafts. The superstructures comprise post-tensioned box girders designed for construction by the balanced cantilever technique using match-cast concrete segments placed by overhead erection equipment.

The estimated value of the work in this contract for construction of the elevated carriageways is in the order of A$38,000,000.

A brochure describing the work in more detail and application forms for registration as a Tenderer are available to prospective Tenderers on request in writing or telex to:

The Secretary — Country Roads Board
60 Denmark Street, Kew, Victoria, 3101
AUSTRALIA Telex 31650

Contractors with substantial experience in the class of works proposed and who are interested in tendering are invited to apply for registration.

Completed application forms shall reach The Secretary at the above address on or before 3.00 pm on 13 July 1981.

It is the intention of the Board to register suitable applicants who, by individual letter, will be invited to tender for the work in accordance with the Tender Documents.

It is expected that an invitation to tender will be sent to registered applicants in September 1981 with a tender period of twelve (12) weeks.

For further information refer to the full advertisement in this paper on —?— April, or contact:

The Resident Engineer — Bridgeworks
28-40 Moray Street, South Melbourne, Victoria, 3205
AUSTRALIA Telex 31650 Telephone No. (03) 699 6944

TENDER FOR THE SUPPLY OF SPARE PARTS FOR CHAMPION MOTOR GRADER MODEL D562

The Crown Agents will shortly be calling for world-wide tenders on behalf of the Kenya Ministry of Transport and Communications for the supply of various items of spare parts for Champion Motor Grader Model D562.

Tender documents will be returnable to the Crown Agents in London, where they will be opened publicly on a date to be advised.

Should you wish to receive a set of tender documents, please apply in writing to the Crown Agents, 4 Millbank, Westminster, London SW1P 3JD, England, quoting reference BB4C/KENTRANS WB 1/15546/71.

Tenderers will be allowed to offer any or all of the spares, detailed in the tender documents, although individual orders of less than £5,000 are unlikely to be placed.

APPOINTMENTS

Senior posts at Tate and Lyle

TATE AND LYLE has made the following appointments: Mr. Alfred Derde becomes managing director, Tate and Lyle Refineries, Tate and Lyle's UK sugar refining division. Mr. Derde was responsible for the Group's starch and glucose interests and will take up his new appointment on June 28, succeeding Mr. Charles Runge, who commences in July a period of secondment to Kleinwort Benson.

Mr. David Banks has become managing director, Tate and Lyle Agribusiness, Tate and Lyle's international contracting and consultancy division. Mr. Banks was marketing director of John Brown Process Engineering and Construction. He succeeds Mr. James Fairrie, who retires from the Group.

Mr. Lynton R. Wilson becomes president of Redpath Industries, the Canadian sugar refining and manufacturing group in which Tate and Lyle has a majority interest. Mr. Wilson was deputy minister of industry and tourism in the Government of the province of Ontario. Mr. Wilson will take up his duties as chief executive officer on June 1, succeeding Mr. Neil M. Shaw who became Group managing director in July 1980.

Mr. James Kerr Muir becomes vice-president, treasurer and a member of the Board of Redpath Industries from July 1. Mr. Kerr Muir is currently a deputy finance director of Tate and Lyle.

★

Mr. Guy Mortimer has been appointed to the newly-created post of general manager (marketing and development) of GATEWAY BUILDING SOCIETY. Mr. Mortimer joins the Society from the oil industry where he held successive managerial appointments in sales and marketing first with Total Oil Great Britain and later with the Bahrain National Oil Company.

★

Mr. Ivor Manley has been appointed a Deputy Secretary in the DEPARTMENT OF ENERGY. He was previously Under Secretary in charge of the Department's Atomic Energy Division. As one of three Deputy Secretaries, Mr. Manley will have overall responsibility for the work of the Department's Atomic Energy, Coal and Electricity Divisions.

Mr. E. L. Marsh has been appointed production director of BRUSH SWITCHGEAR, Loughborough, a Hawker Siddeley company.

★

Mr. Kevin Betts has been appointed Group finance director of PENTOS PUBLISHING GROUP. Mr. Betts was employed as chief accountant with Dyson Refractories.

★

Mr. Malcolm Hinge has been elected to the Board of FIELDTECH HEATHROW with the position of administration director and secretary.

★

WILSDON AND CO. have appointed Mr. Andrew Taggart a director. He was director and general manager of Penman in Dumfries.

★

The trade secretary has re-appointed Captain Eric Lowden as a part-time member of the CIVIL AVIATION AUTHORITY for a term of one year from June 1.

★

The INSTITUTION OF METALLURGISTS has elected Mr. Peter T. Houldcroft as its president for 1981-82. Mr. Houldcroft is director of research and communications of The Welding Institute.

★

Mr. David J. Bird has been appointed operational audit manager at BRITISH GAS headquarters. He will be responsible for pension funds, financing, joint ventures, purchasing, stores and personnel.

★

Mr. Gordon G. Bates, senior partner of J. R. and E. Russell and Co., has been elected president of the BRITISH WOODWORKING FEDERATION. Mr. Bates has served for several years as chairman of the architectural and general joinery section.

Mr. Stephen Davies, director of Guildway, has become senior vice-president of the Federation.

★

Mr. Martin George has become president of UNITED KINGDOM AGRICULTURAL SUPPLY TRADE ASSOCIATION in place of Mr. Sydney Robinson. Mr. Christopher Pertwee is the new deputy president.

★

Mr. Neil Henderson has been appointed managing director of DAGE INTERSEM.

The Workers' Council
of the Work Organization "Batlave" Regional Water Works

—THE UNLIMITED LIABILITY COMPANY—
PRISTINA
BRATSTVA I JEDINSTVA 71

Is announcing the invitation for:

THE INTERNATIONAL COMPETITIVE BIDDING FOR SUPPLY OF PIPES:

WORKS TO BE TENDERED: 1. Main steel pipeline Ø 900, Ø 700 and Ø 600 from Batlava to Pristina, 31 km long.
2. Asbestos-cement pipeline Ø 300 from the plant to Podujevo, 8,052 metres long. The works comprise: supply of fittings and armatures, complete pipeline erection, as well as the civil works. The pipelines were supplied by the Tender 1. The Contractor is furnished with the pipes from the stockpiles.
3. Steel pipeline Ø 450 from Dragodan Reservoir to Orlovic Reservoir, 2,315 metres long.
The works under item 3 comprise the completion of all main civil works, material supply and erection.

CONSTRUCTION TIME: The completion date is 150 days from the commencement of works.

CLOSING DATE FOR RECEIPT OF TENDERS: The Tenders shall be submitted within 45 days from the date of publishing this Invitation for the International Competitive Bidding in "Politika," for the Tenderers from Yugoslavia, and within 45 days from the date of announcing the present Invitation for the International Competitive Bidding in the journal "Financial Times" for the foreign tenderers.

CONDITIONS FOR ASSIGNMENT OF CONTRACT: The Tenderer shall be considered for the assignment of the Contract if it is submitted as called for in the Tender Documents issued by the Employer and accompanied by the evidence on the company registration and references. The Tenderer shall state the time for the construction of pipelines
The Employer shall not bind himself to accept the Tenderer offering the lowest price. The Tenderer shall be considered more successful if he offers the fixed price and the shorter time for the completion of the Tender.

RIGHT TO PARTICIPATE IN BIDDING: The right to participate in this bidding goes to companies from the countries which are members of the International Bank for Reconstruction and Development (I.B.R.D.) and from Switzerland. The works being the subject matter of the present International Public Competitive Bidding shall be co-financed by the International Bank for Reconstruction and Development.

DECISION TO BE MADE: The decision on assignment of the Contract shall be made within 10 (ten) days from the date of opening the Tenders. The Tenders shall be opened on the 50th day from the date of announcing the present Invitation for International Competitive Bidding in the journals and it shall be done at the Employer's Office. The Tenderers who purchased the Tender Documents shall be informed about the exact date and hour of opening the Tenders in due time.

TENDER DOCUMENTS: The Tenders shall be received only if made out on the Tender Forms provided in the Tender Documents which can be obtained:
— At the offices of "Batlava," Pristina, Bratstva i jedinstva 71, against the charge of 6,000 dinars payable to the current account of "Batlava" No. 68400-601-768 held with the Government Auditing Office, Branch Office Pristina, for Tenderers from Yugoslavia;
and
— At the offices of "ENERGOPROJEKT" Beograd, Zeleni Venac Str No. 18—IV floor, telephone number 011/627-522/421, against the charge of US$200.00 payable to the current account No. 60811-620-58-25730-10-9-1077-017, ENERGOPROJEKT—Consulting and Engineering Company, Water Resources Development Department, Belgrade, held with JUGOBANKA, Beograd, Yugoslavia.

SUBMISSION OF TENDERS: The Tenders shall be submitted to the following address:

WORK ORGANIZATION "BATLAVA"
REGIONAL WATER SUPPLY SYSTEM
Bratstva i jedinstva 71
38 000 PRISTINA
YUGOSLAVIA.

PETRÓLEO BRASILEIRO S.A.—PETROBRÁS

RIO DE JANEIRO — BRAZIL

ANNOUNCEMENT OF COMPETITIVE BIDDING SUPEX—06/81

1. PETROBRÁS announces the opening of a competitive bidding for petroleum exploration in areas located onshore Brazil.
2. The relevant contracts shall be executed in the form of service contracts, with risk clause, provided that contractor's remuneration shall be contingent upon the achievement of commercial production from the fields discovered and developed by CONTRACTOR.
3. Companies to enter into such contracts shall have technical and financial capacity, and also demonstrate experience and tradition in exploration and development of petroleum fields. Companies are requested to contact PETROBRAS in order to obtain the application form at one of the addresses below:

   —Av. Republica do Chile, 65 — 18° Andar, Sala 1858 — Rio de Janeiro, Brazil.

   —77 South Audley Street, 2nd Floor, London W1Y 5TA, England.

   —1221 Avenue of the Americas, 22nd Floor, New York, N.Y. 10020, USA.

   —66, Av. Des Champs Elysees, 8ème Etage, Paris 75008, France.

   Said application form is to be filled in by the interested company, and then returned to any one of the addresses indicated above, until 5 pm (local time), the 30th June, 1981.
4. Each company will be informed as from the 22nd July, 1981, on the result of its application in the preliminary selection and of the basic conditions it must comply with for the purpose of making its bids.
5. Participation in said preliminary selection does not and shall not imply the granting of any guarantees, privileges or rights whatsoever to any of the interested companies, it being understood that PETROBRAS is absolutely free to, at its sole discretion, cancel, remake or dispense with such preliminary selection, or invite whichever company it may choose in order to contract with for the execution of the services referred to in this Announcement.

Rio de Janeiro, May 18th, 1981

DEPARTMENT OF EXPLORATION CONTRACTS,
SUPEX
LAURO VIEIRA/SUPERINTENDENT SUPEX.

CONTRACTS and TENDERS

APPEAR EVERY MONDAY

THE RATE IS £22.50 PER SINGLE COLUMN CENTIMETRE

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Holborn Language Centre
(Tuition and Local Centre for the Examinations of the London Chamber of Commerce & Industry)
1 Bolt Court, Fleet Street
London EC4
Tel: 01-583 3806 - Telex: 22801

COMPANY NOTICES

RENOWN INCORPORATED

NOTICE WITH RESPECT TO THE ISSUANCE OF NEW SHARES

We hereby notify you that such pending conditions as issue price etc. . . . with respect to the issuance of New Shares which had been resolved at the meeting of the Board of Directors of the Company held on March 16th 1981, were determined as follows at the meeting of the Board of Directors held May 12th 1981.

PARTICULARS

(1) Number of Shares to be newly issued: 15,000,000 par-value-shares of Common Stock in Registered Form.
(2) Issue price: Yen 760 Per Share.
(3) Method of offering: Public offering to be managed by Daiwa Securities Co., Ltd., The Nikko Securities Co., Ltd., Okasan Securities Co., Ltd., & Meiko Securities Co., Ltd., which will subscribe for all the shares issued hereby.
(4) Payment Date: May 31 1981 (Sunday).
(5) With respect to New Shares, dividend accrual period will start on January 1st 1981.

ROBERT FLEMING & CO. LIMITED
8 Crosby Square,
London EC3A 6AN.
May 18th 1981.

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN NIPPON MINIATURE BEARING CO., LTD.

We are pleased to confirm that copies of the Annual Report for the year ended September 30, 1980 of Nippon Miniature Bearing Co., Ltd., are now available to EDR holders, upon application, at the offices of the Depositary, Citibank, N.A., 336 Strand, London WC2R 1HB, and the Agent, Citibank (Luxembourg) S.A., 16 Avenue Marie Therese, Luxembourg.

CITIBANK, N.A., LONDON, Depositary.
May 18, 1981.

BRITISH-BORNEO PETROLEUM SYNDICATE, LIMITED

NOTICE IS HEREBY GIVEN that the Transfer Books of the above Company will be closed from 6th to 19th June, 1981, both days inclusive.

By Order of the Board
RUSSELL LIMEBEER
Secretaries

Registered Office:
Pembroke House,
40, City Road,
London, EC1Y 2AD.

COMPANY NOTICES

GENERAL MOTORS CORPORATION

NOTICE IS HEREBY GIVEN that resulting from the Corporation's Declaration of a Dividend of $0.60 (gross) per share of the Common Stock of the Corporation, payable on the 10th June 1981 there will be become due in respect of Bearer Depositary Receipts a gross distribution of 3 cents per unit.

The Depositary will give further notice of the Sterling Equivalent of the net distribution per unit payable on and after the 15th June 1981.

All claims must be accompanied by a completed Claim Form and U.S.A. Tax Declaration obtainable from the Depositary. Claimants other than UK Banks and Members of The Stock Exchange must lodge their Bearer Depositary Receipts for marking. Postal claims cannot be accepted.

The Corporation's First Report for 1981 will be available upon application to the Depositary named below.

Barclays Bank Limited
Securities Services Department
54 Lombard Street
London EC3P 3AH

BRASCAN LIMITED
(Incorporated under the laws of Canada)

NOTICE IS HEREBY GIVEN that the Board of Directors of this Corporation has declared a quarterly dividend of forty cents (40 cents) and an extra dividend of twenty cents (20 cents) per share (in Canadian funds) on the Corporation's Class A, Class B and Class C Convertible Ordinary shares, payable July 31, 1981, to shareholders of record at the close of business on July 1, 1981.

The dividend payable on Class A Convertible Ordinary shares represented by share warrants to bearer will be paid only against surrender of such bearer warrants (with coupons serial Nos. 154-160, both inclusive, with talons attached) in exchange for Bearer International Depositary Receipts issued by Morgan Guaranty Trust Company of New York at Brussels, Belgium in respect of Class C Convertible Ordinary shares of the Corporation or for registered share certificates of the Corporation. Bearer Warrants (with coupons serial Nos. 154-160, both inclusive and talons attached) may be surrendered for exchange to:

C I K
59, Rue de Namur
1000 Brussels
or
Morgan Guaranty Trust Company of New York
35 Avenue des Arts
1040 Brussels.

Dated at Toronto, Canada, the 11th day of May, 1981.

By Order of the Board.
L. A. ALLEN,
Secretary

The transfer agents of the Corporation are National Trust Company, Limited, Toronto, Montreal, Vancouver, Calgary, Winnipeg and Halifax, Canada, and Citibank, N.A., New York, N.Y., U.S.A. Changes of address should be notified promptly to National Trust Company, Limited at 21 King Street East, Toronto, Canada M5C 1B3.

HYDROCARBONS BANK LIMITED

$ US 75,000,000
FLOATING RATE NOTES
1977 DUE 1982
Guaranteed by E.N.I.
ENTE NAZIONALE IDROCARBURI

Noteholders are hereby informed that HYDROCARBONS BANK LTD. intends to redeem all outstanding notes of the above issue on the next interest payment date.

Pursuant to condition 7 (c) of the Trust Deed constituting the loan, the 75,000 outstanding notes of $ US 1,000 each will be redeemable at the price of 100.375%, coupon No. 8 and subsequents attached, as from 24th June 1981, date at which they will cease to bear interest.

The following banks will carry out the redemption and the payment of interests due on 24th June 1981: CREDIT LYONNAIS, Luxembourg — BANQUE BRUXELLES LAMBERT S.A., Bruxelles — COMMERZBANK A.G., Frankfurt — CREDIT LYONNAIS, London — CREDIT SUISSE, Zurich — MANUFACTURERS HANOVER TRUST CY., New York

The Principal Paying Agent
CREDIT LYONNAIS—LUXEMBOURG

LEUMI INTERNATIONAL INVESTMENTS N.V.

US$ 60 MILLION GUARANTEED FLOATING RATE NOTES 1985

The interest rate applicable to the above Notes in respect of the six-month period commencing 18th May, 1981 has been fixed at 19.5625% per annum.

The interest amounting to US$ 99.99 per bond of US$ 1,000 nominal and to US$ 999.86 per bond of US$ 10,000 nominal will be paid on Wednesday 18th November, 1981 against presentation of coupon No. 6.

BANK LEUMI TRUST COMPANY OF NEW YORK
Principal Paying Agent

LEGAL NOTICES

THE COMPANIES ACTS 1948 TO 1967

M J AUTOTRADE LIMITED

NOTICE IS HEREBY GIVEN, pursuant to section 293 of the Companies Act 1948, that a Meeting of the Creditors of the above-named Company will be held at the Birmingham Chamber of Industry and Commerce, 75 Harborne Road, Birmingham B15 3DH, on Friday, the 22nd day of May, 1981, at 2.30 o'clock in the afternoon, for the purposes mentioned in sections 294 and 295 of the said Act.

Dated this 5th day of May, 1981.

By Order of the Board.
M. JACKSON, Secretary.

PUBLIC NOTICES

TAMESIDE METROPOLITAN BOROUGH COUNCIL — £5,400,000 Bills offered 8.5.81 for payment 13.5.81 due 12.8.81 at £11 21-64ths. Application totalled £47.6m. No other Bills outstanding.

CLASSIFIED ADVERTISEMENT RATES

	per line £	Single column cm £
Commercial & Industrial Property, Businesses for Sale/Wanted	7.50	22.50
Residential Property	5.50	16.00
Appointments	7.50	22.50
Business & Investment Opportunities	8.00	25.00
Personal	5.50	16.00
Motor Cars	5.50	16.00
Hotels & Travel	5.50	16.00
Contracts & Tenders	7.50	22.50
Book Publishers	—	net 8.50

Premium positions available
(Minimum size 30 column cms)
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For further details write to:

Classified Advertisement Manager
Financial Times
10, Cannon Street, EC4P 4BY

COMPANY NOTICES

NESTLÉ S.A., CHAM AND VEVEY, SWITZERLAND

Payment of dividend coupons

Notice is given to shareholders that following a resolution passed at the General Meeting of shareholders held on 14th May 1981, a dividend for the year 1980 will be paid to them as from 18th May 1981, as follows:

per share	SFr75.00
less Swiss federal withholding tax of 35%	SFr26.25
or net	SFr48.75

against delivery of coupon No. 24

This amount is payable in Swiss Francs. Paying Agents outside Switzerland will pay in the currency of the Country in which the coupons are presented, at the rate of exchange on the day of presentation.

Coupon No. 24 may be presented as from 18th May 1981, to the following Paying Agents of the Company:

in Switzerland:

Swiss Credit Bank, Zurich, and its branches,
Swiss Bank Corporation, Basle, and its branches,
Union Bank of Switzerland, Zurich, and its branches,
Swiss Volksbank, Bern, and its branches,
Banque Cantonale Vaudoise, Lausanne, and its branches and agencies,
Zürcher Kantonalbank, Zurich, and its branches,
Berner Kantonalbank, Bern, and its branches,
Zuger Kantonalbank, Zug, and its branches,
Banque de l'Etat de Fribourg, Fribourg, and its agencies,
Darier & Cie, Geneva,
Lombard, Odier & Cie, Geneva,
Pictet & Cie, Geneva,
Handelsbank N.W., Zurich, and its branch,
Bank Leu Ltd, Zurich, and its branches,

in England:

Swiss Bank Corporation, London,
Swiss Credit Bank, London,
Union Bank of Switzerland, London,

in the United States of America:

Morgan Guaranty Trust Company of New York, New York,
Swiss Credit Bank, New York,
Swiss Bank Corporation, New York,

in France:

Crédit Commercial de France, Paris,
Banque de Paris et des Pays-Bas, Paris,

in Germany:

Dresdner Bank AG, Frankfurt/Main and Düsseldorf,

in Holland:

Pierson, Heldring & Pierson, Amsterdam,

in Austria:

Girozentrale und Bank der österreichischen Sparkassen AG, Vienna.

Cham and Vevey, 14th May 1981

The Board of Directors

UNILAC, INC.

PANAMA

PAYMENT OF A DIVIDEND

Notice is given to shareholders that following a resolution passed by the Board of Directors on 29th April 1981

a dividend for the year 1980 of $7.00

per common share will be paid to them as from 18th May 1981, upon delivery of coupon No. 24 and this in accordance with the provisions of the Articles of Incorporation.

This dividend is payable in U.S. dollars. Paying Agents outside the United States will pay in the currency of the country in which the coupons are presented, at the rate of exchange on the day of presentation.

Coupon No. 24 may be presented as from 18th May 1981, to the Paying Agents indicated in the notice of Nestlé S.A. bearing the same date. In accordance with the Articles of Incorporation of the Company, it should be presented for payment at the same time as dividend coupon No. 24 of Nestlé S.A. bearing the same number as the corresponding Unilac, Inc. share.

Panama City, 14th May 1981

The Board of Directors

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Stealing up on the giants

David Housego reports on the strategy which has enabled China Steel to claim that it has become one of the world's most efficient steel makers

WILLIAM CHAO is playing a pivotal role in Taiwan's industrial transformation from light, labour-intensive products to heavy machinery, electrical and precision equipment.

The key "bridge" in this transition is the country's ability to produce low-cost finished steel, believes Chao, one of the generation of forceful, restless Chinese entrepreneurs who have given the island its thrusting international competitive strength.

Chao, as chairman, has built from scratch Taiwan's first integrated steel plant, and is now in the final stages of negotiating the establishment of a joint venture automotive factory with either Nissan or Toyota. Giving Taiwan its first full-scale car manufacturing complex, the plant will have a capacity of 200,000 cars a year of which about half will be for export. He has no doubt about its success. "I am confident that if we start on the right basis we can compete with any country in the world," he says.

Anybody who thinks this an idle boast should examine Chao's record as a steelmaker. The China Steel plant, located in the industrial seaport of Kaohsiung in the south of the island, has been in operation for only three years. Its present capacity is a modest 1.5m tonnes, which, by the end of next year, will be expanded to 3.25m tonnes, towards the final target of 8m tonnes.

But it has already made some remarkable achievements. First and foremost, the company began to show a profit after only six months of operation. This was not only because the government, its major shareholders, has so far waived dividends to allow for new investment and the repayment of loans, but also because of the speed with which the plant has attained extremely high levels of efficiency.

It already claims a productivity rate of 360 tonnes a year per employee, which is outstripped only by Japan's more developed industry, with over 400 tonnes, and which compares with about 270 tonnes in the U.S., 150 tonnes in Britain and 50 tonnes in India. It also reckons to be one of the cheapest producers in the world, with a cost of production of about $300 a tonne as compared with $430 in Japan and about $500 in the U.S.

China Steel proudly circulates to its employees a table comparing its performance with that of other world steel makers. In fiscal 1980 its after-tax profits rose 164 per cent to New Taiwan $3151bn (U.S.$87.5m), equivalent to 17.7 per cent of turnover.

Outstrips

Though this is expected to fall to 14-15 per cent in 1981 because of a downturn in domestic demand, no Japanese, German or U.S. steel company achieved more than a 4.4 per cent profits to turnover ratio for 1979 and British Steel reported losses proportional to 9.4 per cent of turnover.

Not included in the table—but an important morale booster in Taiwan—is that China Steel's performance far outstrips that of plants in mainland China and throws into sharp relief the costly mistakes that Peking has made with its new integrated mills at Baoshan, near Shanghai, and Wuhan.

Tze-Han Fu, executive vice-president of the company, points to three main reasons for its success: the plant was last year operating at 117 per cent of its rated capacity with overhead costs being spread more widely; it enjoys high labour productivity, so much so that China Steel believes it can soon match the Japanese mills' performance; and low labour costs—the average wage of an industrial worker in Taiwan is now running at only about $5,000 a year.

But the achievements are not just ones of quantity. The plant has obtained the "nuclear stamp" of the American Society of Mechanical Engineers—the first Asian country outside Japan to receive it—which enables it to manufacture steel for the island's expanding nuclear power programme. It is licensed in the U.S., the UK, France, West Germany, Japan and Norway to make high strength shipbuilding plate—thus enabling it to supply the neighbouring Government-owned shpbuilding yard, which has a substantial western order book.

China Steel has also had all the advantages of a greenfield plant.

It was conceived as a public sector project in the mid-1970s when the Government was anxious to diversify Taiwan's industry away from textiles and light industrial goods while giving a boost to the economy, then in recession, through higher levels of public expenditure.

The venture marked a major shift from the island's traditional free market policy of leaving industrial investment to the private sector. Similar projects launched at the same time in petrochemicals and shipbuilding have since run into financial difficulties as a result of the energy crisis.

The plant which uses ultra-modern continuous casting technology, was designed with help from United Engineering Consultants, a subsidiary of U.S. Steel. The emphasis was on obtaining the most advanced equipment and saving manpower—Taiwan has a negligible rate of unemployment—through maximum computerised control of both production facilities and administration.

The largest equipment purchases have been made in the U.S., West Germany and Japan, with one blast furnace bought from Mannesman-Demag and the second from IHI of Japan. The two basic oxygen convertors now in operation in the steelmaking shop are from Kawasaki Heavy Industry.

In line with practice in the West, company policy is to select equipment suppliers to bid for major contracts on the basis of their plant construction record over the previous three to five years. China Steel then insists on sending inspection teams to study on site how well the equipment is performing.

Chao came to steel by chance on the orders of the late President Chiang Kai-Shek, the former President of Taiwan. "I am a mechanical engineer," he says, "For 40 years I had been an old soldier working in industry, always in engineering. Chiang Kai-Shek asked me to take over this job.

"I told him I am not an iron and steel man. But he asked me who else in Taiwan had experience of an integrated steel mill. He also said who else had the same experience as you in setting up more than 10 different factories from scratch."

Chao insists that China Steel is not an export-orientated operation, and that it will not become one. It looks to exports only as a balancing facility if the domestic market cannot absorb its output, he says.

Emphasis

Domestic sales have risen as a proportion of output from 49 per cent in fiscal 1979 to 53 per cent in fiscal 1980 and to 95 per cent in the first quarter of the current financial year, but fell back to 60 per cent in January and February because of the downturn in domestic demand. The domestic market is expected to double to 11m tonnes by 1990, well above China Steel's full capacity.

The shift has helped boost profits as the return on domestic sales is marginally higher. The domestic price is fixed by reference to the Japanese fob price—but China Steel escapes the 10-20 per cent tariff imposed on imported steel products.

Chao runs China Steel with an emphasis on marketing and cost control that is lacking in its major rival, the Pohan Iron and Steel Company (Posco) of South Korea.

South Korea — the region's other "newly industrialising country"—gambled heavily on a major expansion of steel and now has an integrated capacity of 8.5m tonnes, much of it reliant on exports. "The big difference between us," Chao says, "is that we believe in proceeding gradually while they wanted to make a large step."

The company's profitability has already enabled it to repay $220m of the $650m of foreign debt incurred in the first phase of construction, carrying the plant up to its existing capacity of 1.5m tonnes.

A nominal 5 per cent of the corporation's equity is privately held in the form of preferred stock, on which a guaranteed 14 per cent dividend is paid. Chao sees this relationship as one way of educating Taiwanese in the concept of public companies as opposed to the traditional family ownership on which most private enterprises are still based. But the government seems unlikely to sell off more stock in the foreseeable future.

In the proposed new car venture the foreign partner will hold 45 per cent of the equity, with 20-30 per cent being taken up by China Steel and the rest by the Taiwanese private sector.

Chao has been in negotiations with Toyota and Nissan, both of whom are anxious to take advantage of the fast growing domestic market, for nearly a year. Chao is determined that the foreign partner helps establish a fully fledged automotive industry with its own component industry rather than an assembly plant operation.

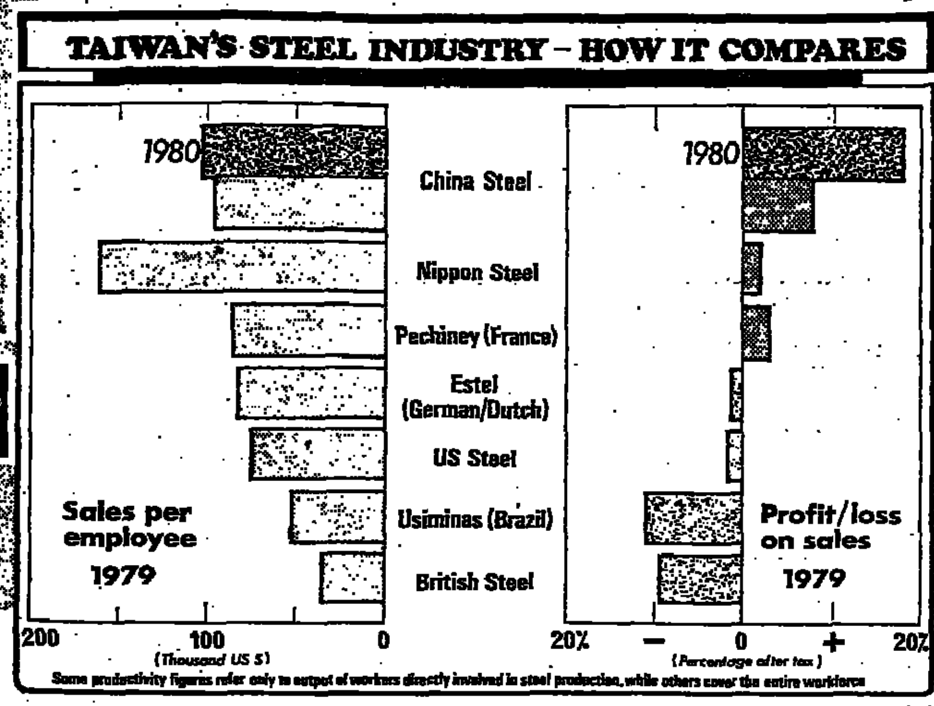
The establishment of a fully-integrated automotive industry, he believes, is crucial for the successful development of the machinery and precision industries.

Chao is proceeding more cautiously in establishing a car industry than did Hyundai in South Korea. Hyundai's plans to break into the international market for small cars with its Pony model have come badly unstuck over the last two years and the government is pressing for a major restructuring of South Korea's car industry.

Chao is also against bringing in foreign management.

"My philosophy," says Chao, "is that you can bring in foreign advisers but not foreign management. It's always a disaster. The history, training and environment are all different."

WILLIAM CHAO, chairman of China Steel: looking for help from foreign advisers but not for foreign management.



Brana Radovic

Basic oxygen converter at China Steel's works in Taiwan

A young man's preserve

THE average age of the 4,800 staff at China Steel's Kaohsiung plant is a mere 29, which gives the carefully landscaped plant with its tidy lawns and recreation centres—and its low level of pollution—something of the appearance of a university campus.

Corporate policy is not to recruit anybody over the age of 34 with the exception of senior managers and technical experts like Dr. Chuang-Tseng Wei, vice-president for Technology, who was enticed from a U.S. steel company.

Educational standards are high. Most employees have been to university. A typical China Steel employee, claims Dr. Wei, would be a high school graduate who has done three years in the army followed by a year's specialised training organised by the corporation, and then three months abroad in a foreign

As happens in Japanese companies, China Steel attempts to minimise barriers between management and labour. All staff wear the same blue working jackets and trousers. "We all dine in the same dining room and live in the same living quarters," says Tze-Han Fu, executive vice-president, who ridicules the European tradition of senior management eating in separate dining rooms. Eating and living together "gives us a chance to exchange ideas with production staff."

Fu would be strongly against the continental European practice of workers having representatives on the board of directors. But there are regular discussion groups in which workers can put forward their proposals. A young supervisor in the control room of one of the blast furnaces, who spent two years at a West German steel plant at Dortmund, proudly declares that the workforce at China Steel is better trained and more efficient.

He claims to send members of his team home with copies of specialist articles on the steel industry culled from West German, Japanese and U.S. trade publications. They then discuss in informal groups whether any new ideas that might emerge can be applied at China Steel.

It was out of such discussion groups that the proposal first emerged for introducing a "sub-lance"—a new instrument which, inserted into a converter, monitors through a computer the various properties of the molten metal including heat, sulphur and silicon content—into the third convertor. This should reduce the normal tap to tap time in heating from an average of about 33 minutes to about 25 minutes.

More 'sisters' on the way?

National Oil Companies, by L. E. Grayson; John Wiley and Sons; £15.90.

BRITISH National Oil Corporation has begun flexing its muscles. Having acquired an exploration stake in Dubai, the state corporation is now looking at the possibility of venturing into France, Ireland, the Far East . . . and even the haven of private enterprise, the U.S.

Leslie Grayson of Virginia University argues that BNOC is demonstrating a familiar and understandable trait among national oil companies. He has spotted that inside each state corporation there is a multinational just dying to break out.

Consequently, he writes, the so-called Seven Sisters—Exxon, Royal Dutch/Shell, Mobil, Texaco, Standard Oil of California, Gulf and British Petroleum—are well on their way to becoming a group of 11, 12 or even 13.

At a time when state oil undertakings are being given an increasingly important role by their host governments Grayson has provided a useful portrait of six major national enterprises: Compagnie Français des Pétroles (CFP) and Société National Elf-Aquitaine (SNEA) in France, ENI in Italy, Veba in Germany, BNOC in the UK, and Statoil in Norway.

Grayson says that often conflicts arise between national oil companies and their owner governments because of the corporations' widening aspirations. The companies were set up originally to deal with specific economic, political and social problems. One of governments' primary motivations, he claims, is the desire to reduce their dependence on multinational oil corporations.

"Yet having established, assisted and nurtured the national oil companies, the owner-governments now find themselves in the position of the sorcerer: they cannot prevent the national oil companies from joining the ranks of the oil multinational corporations."

Grayson says that the oil industry's geographic diversity, capital intensity, and available scale economies make multinationalisation attractive and the spreading of technical and political risk a necessity. Furthermore, the move to a more international base was being spurred by the national oil companies' own organisational and managerial goals. "National oil company executives are enamoured of power and prestige no less than their counterparts in the private sector."

Ray Dafter

LOMBARD

U.S. interest rates must fall

BY SAMUEL BRITTAN

THE HEIGHT of U.S. interest rates, the strength of the American real economy and the appreciation of the dollar have taken Europeans by surprise. But if one thing is nearly certain it is that U.S. interest rates will come down sharply well before the end of the year and probably in the course of this summer.

There are many disputes about how exactly to measure the U.S. inflation rate, but the range is between 9 and 13 per cent. If this is set against a Federal Funds and prime rate of around 19 per cent, we are left with a real interest rate of 8 per cent, which is far too high to last unless something very drastic and unlikely has happened to the demand for capital and the supply of savings.

This general diagnosis is reinforced by a look at the specifics of American policy. Since the autumn of 1979 the Fed has been following in principle a policy of regulating the quantity of money by influencing bank reserves and leaving interest rates more to the market. Since the Reagan Administration came to office the policy has been made firmer. Even the broad interest rate range which the Fed has tried to retain is fading away.

Reaction

The Administration's determination is apparent in its explosive reaction to the April overshoot of the monetary figures. Seasoned American bankers are saying that relations between the Fed and parts of the Administration make Mrs. Thatcher's indignation with the Bank of England last year look like a storm in a teacup. There is talk of a hard line monetarist such as Mr. Beryl Sprinkel, the Treasury Under-Secretary, becoming vice-chairman of the Fed next year with a view to succeeding Mr. Paul Volcker when his term expires in 1983—which is also when Mr. Gordon Richardson is due to go. There are rumours, however, that Mr. Volcker may want to leave well before (which may also have a bearing on who takes over at the Bank of England, and when).

Nevertheless the American dispute is quite narrow in substance. It is not about the need to restrict the money supply nor even over the targets, but on timing and techniques. The Fed has got the message and will clearly err on the cautious side, which will mean persevering with monetary growth targets well below the inflation rate.

Now there has hardly ever been a recorded instance of inflation being halted, or drastically curbed, without an intervening recession. The nearest approach to an exception was General de Gaulle's stabilisation programme of 1958-59. Skill and circumstances can affect the depth or length of the recession, but not its existence.

Increase

It therefore follows that the 6½ per cent annualised increase in the first quarter U.S. real GDP, which took so many people by surprise is bound to be reversed. Mr. Sprinkel's old bank, Harris of Chicago, expects a levelling off in the second quarter, a 4 per cent drop in the third and some recovery at the end of the year. My own feeling is that inflation expectations have become deeply embedded and that the recession may start later, will go deeper and last longer.

Recession normally brings a fall in interest rates. It will be that much sharper when the Fed is following a fairly strict monetary growth rule, which allows interest rates to plummet when the demand for funds falls away.

Politicians, journalists and bankers who call for policy co-ordination to curb a largely imaginary interest rate war do not realise that the rules of the game have changed. Their failure is hardly surprising. For what is being attempted by countries which take monetary targets seriously is no mere technocratic adjustment, but the creation by artificial domestic means of a regime comparable to the Gold Standard or Bretton Woods in its heyday in its automatic anti-inflationary effects. The sooner that market participants take on board what is happening the less dismayed, shell shocked and panicky they will be, and the more likely to act in a way which will stabilise rather than aggravate interest and exchange rate fluctuations.

The rights of foreigners under English law

THE WEEK IN THE COURTS

BY JUSTINIAN

ARE COURTS as prone as the rest of us in applying double standards in judging human action and social issues? One might expect the judicial mind, trained to avoid such habits, would be tuned to the point where the like approach is made to like problems. Such thoughts are prompted by the reasoning adopted earlier this month by the majority of the House of Lords in upholding the forfeiture of pornographic material seized by the police in this country but found to be destined exclusively for readers abroad.

In the summer of 1979 officers of the Inland Revenue obtained warrants in the Rossminster case to search specified premises and seize anything which they had reasonable cause to believe might be required as evidence in proceedings for tax frauds.* Hurried court action challenging the search and seizure produced fulminations from the Court of Appeal about the inordinate power of the Revenue to raid our homes. Lord Denning, in typical fashion, wrote: "It was a military style operation. Everything was highly secret. The other side must not be forewarned. There was a briefing session beforehand . . ." and so on, depicting a scene more redolent of a fascist police state than of a search sanctioned by a warrant issued by the Common Serjeant, the second senior judge at the Central Criminal Court.

The House of Lords was later in that year to reverse the Court of Appeal and to uphold the Revenue's right in the manner adopted to exercise the power that Parliament had given it. Subsequently the Government set up a committee under Lord Keith of Kinkel to examine the powers of administrative agencies to obtain and execute search and seizure powers. But clearly all the judges, in varying phrases, displayed their apprehension, if not distaste, for such sweeping powers in the hands of bureaucrats.

Lord Wilberforce gave the leading judgment in the House of Lords, in which he expressed the disquiet he felt about such powers. He noted that the integrity and privacy of a man's home, *and of his place of business*, was a basic human right that, since the last war, had been eroded by a number of statutes.

"Some of these powers of search are reflections of *dirigisme* and of heavy taxation, others of changes in *mores*. A formidable number of officials now have power to enter people's premises, and to take property away, and these powers are frequently exercised, sometimes on a large scale. Many people will think that this process has gone too far; that is an issue to be debated in Parliament and in the Press."

Lord Wilberforce then went on to say that while it is the courts' duty to give effect to the intention of Parliament as expressed in the particular statute, nevertheless the courts are bound to supervise critically not only the legality of any purported exercise of such powers but also in resolving any doubt as to the proper scope of the power, to decide the issue in favour of the right of privacy.

In *Gold Star Publications Ltd. v. Director of Public Prosecutions*,† the question was whether the entitlement of the police, upon a warrant issued under the Obscene Publications Act, 1959, to seize and remove obscene articles from premises where they were "kept for gain for publication" (and for magistrates at subsequent court proceedings to forfeit them) applied to written material intended exclusively for export.

Did Parliament intend that this legislation, designed to curb the purveying of pornography, should apply to matter which could not deprave or corrupt the British public (because it was never destined for their eyes and ears).

The invasion of the business premises of Gold Star Publications did not seem in the least to perturb the majority of the Law Lords. Lord Wilberforce, while acknowledging the legitimacy of the question whether Parliament intended to extend its legislative powers to corruptible readers abroad, dismissively regarded the property interests of foreigners affected by the seizure as having no relevance. "Foreigners may be, and commonly are, interested as importers, or indeed as publishers, of obscene literature or articles, but within the UK they are totally subject to our laws against obscenity."

This is a curious approach to adopt. If the court is testing the ambit of an English statute, one factor leading to the conclusion that it is not intended to operate other than on the British public at home is the consequence of the alternative view upon the rights of foreigners under their own morality laws.

The legislation is, after all, concerned not merely with seizure of material that might belong to foreigners, but also with their correspondence which would be seized (even if returnable). And they are at risk of their property being forfeited (without, be it noted, any compensation for the loss of their property). All this in circumstances where, whatever English magistrates might think, the material might be entirely permissible under the foreigners' law. As Lord Simon of Glaisdale put it in his elegant dissenting judgment, to form a judgment of the corruptibility of "say, the Danes (even those who can read English), not to mention the Ik people of East Africa [sic] or Rastafarians in the Caribbean (who, incidentally, can presumably read English) seems an unlikely task" to be imposed on magistrates.

The argument on behalf of the Crown was reduced to an asburdity when it was conceded that the law of England extended to publications in Arabic for export to an Arab-speaking country. Presumably, if that were to happen, magistrates, say, in Dorking would have to conclude that they could not form any opinion on the obscenity of the articles and to dismiss the application for forfeiture.

There is a further curiosity in the House of Lords' decision. No mention is made of the omnipresent Article 10 of the European Convention on Human Rights which limits the powers of European countries to legislate against freedom of expression. Obscenity laws in the various European countries are acknowledged as permissible, but only to the extent that they can be justified on the grounds that there is a "pressing social need" for them. Such justification has been upheld in respect of obscenity laws framed in accordance with the country's own scale of values and in a form selected by its requirements of public morality *in its territory*. But it would be a form of moralistic imperialism (or at least paternalism) for the UK Parliament to impose rules and standards for the moral welfare of other countries.

It is strange that counsel for Gold Star Publications did not appear to press the argument that Parliament must have had in mind the limitations of the European dimension of disallowing censorship of literature unless there was a pressing social need for it. But perhaps his clients were reserving their ammunition for a petition for Strasbourg, if and when they failed to convince the English courts that Parliament never intended to concern itself with the morals of other nations. Now that the House of Lords has interpreted Parliament's intention in the unlikely way of having arrogated to itself the role of protector of morals everywhere in the world, the British Government is likely to have to defend the unforeseen consequence of one section in the Obscene Publications Act 1959 before a European legal institution.

**R v Inland Revenue Commissioners, ex parte Rossminster Ltd. (1980) A.C. 952;* *†The Times Law Report, May 7, 1981.*

Bold Cowtan leaves the Tote

RACING

BY DOMINIC WIGAN

MANY of the Tote's clients, both on the credit side and through the company's betting shops, who have come to expect realistic value and a "fair crack of the whip" from the company's ante-post department, will be sad and possibly perturbed to have learned of Mr. Mike Cowtan's departure.

Mr. Cowtan, whose refreshingly bold approach and willingness to lay horses at advertised odds to four or, occasionally, five-figure sums when the ante-post departments of the other "multiples" were often unprepared to offer an advertised price to more than a modest three-figure bet helped the Tote to an unrivalled reputation in that field.

His bold approach undoubtedly resulted in bad results for the Tote's ante-post books at the end of the day on occasions. But I suspect that it was, more often than not, borne out by results.

Of one thing there is no doubt. Mr. Cowtan did a great deal more than most to persuade some hardened and sceptical backers that advertised ante-post odds do not, necessarily, have to be treated with total scepticism or ridicule.

Mr. Cowtan, whose resignation from the Tote came on his failure to become general manager, will probably have little difficulty in finding rewarding employment elsewhere. The Tote has brought in former Coral's odds-man, Mr. Colin Dingley, as its new general manager.

A muddling race for the Irish 2,000 Guineas and holding ground at Newbury, where the Tote Lockinge Stakes, for which the Horse-race Totalisator Board gave £20,000, did little to clarify the classic picture or serve as a pointer to the respective merits of the three and four-year-old generations.

Dalsaan did remarkably well in ground all against him on the Berkshire course, but there appeared to be no real excuse for To-Agori-Mou at the Curragh. He is clearly a high-class performer, but not one with the acceleration associated with a dual classic winner over a mile.

Turning to today's racing, Mark Smyly's three-year-old, Blakenor, may represent the afternoon's best bet at Wolverhampton. A compact bay colt by Derby winner Blakeney out of Mary Connor, the Lambourn colt goes for the Midlands course's Oldbury Maiden Stakes.

WOLVERHAMPTON

2.00—My Dear Fellow
3.00—Tenoria
3.30—Winner Takes All
4.00—Blakenor***

WINDSOR

6.25—Brave Maiden*
7.15—Neat**
7.45—Tenth Of October
8.45—Rosie Black

ENTERTAINMENT GUIDE

OPERA & BALLET

THEATRES

CINEMAS

ART GALLERIES

CLUBS

TV/Radio

BBC 1

† Indicates programme in black and white

6.40-7.55 am Open University (Ultra high frequency only). 10.15 For Schools, Colleges. 11.25 You and Me. 11.40-12.05 pm For Schools, Colleges. 12.42 Regional News for England (except London). 12.45 News. 1.00 Pebble Mill At One. 1.45 Heads and Tails. 2.01 For Schools, Colleges. 3.15 Songs of Praise. 3.53 Regional News for England (except London). 3.55 Play School (As BBC2 11.00 am). 4.20 Cheggers Plays Pop. 4.40 The All-New Popeye Show. 5.00 John Craven's Newsround. 5.05 Blue Peter. 5.35 The Amazing Adventures of Morph.

5.40 News.
5.55 Nationwide (London and South East only).
6.20 Nationwide.
6.55 Ask the Family.
7.20 Star Trek.
8.10 Panorama.
9.00 News.
9.25 Monday Film: "The Thomas Crown Affair" starring Steve McQueen.
11.05 Alan Price from the Royal Exchange Theatre, Manchester.
11.38 News Headlines.
11.40 Education Shop.

All Regions as BBC1 except as follows:

Cymru/Wales — 1.45-2.01 pm Pila Pala. 5.55-6.20 Wales Today. 6.55-7.20 Heddiw. 12.05 am News and Weather for Wales.

Scotland—12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 12.05 am News and Weather for Scotland.

Northern Ireland — 3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 12.05 am News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North West (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
11.00 Play School.
4.50 pm Open University.
6.55 Play Tennis.
7.20 Mid-Evening News.
7.35 Plants in Action.
8.00 Arthur Negus Enjoys.
8.15 The Two Ronnies.
9.00 The Paul Daniels Magic Show.
9.40 The Making of Mankind.
10.30 The Light of Experience.
10.45 Newsnight.

LONDON

9.30 am Schools Programmes. 12.00 We'll Tell You a Story. 12.10 pm Rainbow. 12.30 Home and Design. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 The Riordans. †2.30 Monday Matinee: "Sky West and Crooked" starring Hayley Mills and Ian McShane. 4.15 Aubrey. 4.20 Graham's Ark. 4.45 Spectrum. 5.15 Money-Go-Round.

5.45 News.
6.00 Thames News.
6.35 Crossroads.
7.00 Nature Watch.
7.30 Coronation Street.
8.00 Chintz.
8.30 World in Action.
9.00 The Sweeney.
10.00 News.
10.30 "Mackenna's Gold" starring Gregory Peck, Omar Sharif and Telly Savalas.
12.50 am Close: "Sit Up and Listen" with Baroness Airey of Abingdon.

All IBA Regions as London except at the following times:

ANGLIA

1.20 pm Anglia News. 2.00 Money-Go-Round. 2.30 Monday Film Matinee: "Inferno in Paradise" starring Jim Davis. 5.15 University Challenge. 6.00 About Anglia. 6.30 Welcome Back Kotter. 10.30 Anglia Reports. 11.00 Superstar Profile. 11.30 Rockstage. 12.30 am Reflection.

ATV

1.20 pm ATV News. †2.00 The Monday Matinee: "Light Up The Sky" Tommy Steele and Benny Hill. 3.45 Money-Go-Round. 5.15 Mr. and Mrs. 6.00 ATV Today. 10.30 Left, Right and Centre. 11.10 ATV News. 11.15 Rockstage. 12.15 am Something Different.

BORDER

1.20 pm Border News. 2.30 Monday Matinee: "Street Killing" starring Andy Griffith and Bradford Dillman. 3.45 Money-Go-Round. 5.15 Diff'rent Strokes. 6.00 Lookaround Monday. 6.15 Mary Chipperfield and Friends. 6.30 Mr. and Mrs. 10.30 Pro-Celebrity Snooker. 11.15 Rockstage. 12.15 am Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where and weather. 2.00 The Monday Matinee: "Trapped Beneath the Sea." 3.45 Money-Go-Round. 5.15 Mr. and Mrs. 6.00 Channel Report. 6.20 Cartoontime. 6.30 Mork and Mindy. 10.28 Channel Late News. 10.36 Target Bowls. 11.05 Mind Over Matter. 11.35 Rockstage. 12.35 am News and weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 2.00 Monday Matinee: "Where Angels Go Trouble Follows" starring Rosalind Russell. 3.45 Money-Go-Round. 5.15 Mr. and Mrs. 6.00 North Tonight. 6.35 Out of Town. 10.30 For Club and Country—The story of Hampden Park, Scotland's national football stadium. 11.15 Rock Stage. 12.15 am North Headlines.

GRANADA

1.20 pm Granada Reports. 2.00 Money-Go-Round. †2.30 Monday Matinee—Ian Carmichael in "Double Bunk." 5.15 Mr. and Mrs. 6.00 Granada Reports. 10.30 The Monday Film—Stanley Baker in "Innocent Bystanders."

HTV

1.20 pm HTV News. 2.00 Money-Go-Round. 2.30 The Monday Matinee: "Francis Gary Powers: The True Story of the U-2 Spy Incident." 5.15 Mr. and Mrs. 6.00 Report West. 10.28 HTV News. 10.30 Quincy. 11.30 Rock Stage.

HTV Cymru/Wales—As HTV West except: 10.06-10.20 am Cymru a'r Mor. 11.05-11.20 Mwy Neu Lai. 12.00-12.10 pm Ffalabalam. 2.00-2.30 Hamdden. 4.15-4.20 Accidents Will Happen. 4.45-5.15 Ser. 6.00 Y Dydd. 6.25-7.00 Report Wales. 8.30-9.00 Yr Wythnos. 10.30 World in Action. 11.00-11.30 The Brains International Matchplay Darts Tournament.

SCOTTISH

1.20 pm News and road and weather. †2.00 Monday Matinee: "So Long At The Fair" starring Jean Simmons and Dirk Bogarde. 3.45 Money-Go-Round. 5.15 Emmerdale Farm. 6.00 Scotland Today. 6.40 Crimedesk. 10.30 For Club and Country (documentary on Hampden Park). 11.15 Rockstage. 12.15 am Late Call.

SOUTHERN

1.20 pm Southern News. 2.00 Houseparty. 2.25 Spoils of War. 3.20 Square One. 3.50 Money-Go-Round. 5.15 Welcome Back Kotter. 6.00 Day by Day including Southsport. 10.35 Butlin's Southern Darts Classic. 11.05 Mind Over Matter. 11.35 Rockstage.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News and Lookaround. 2.00 Money-Go-Round. †2.30 Monday Matinee: "Never Let Go" starring Richard Todd and Peter Sellers. 5.15 Mork and Mindy. 6.00 North East News. 6.02 Mr. and Mrs. 6.30 Northern Life. 10.30 North East News. 10.32 Northern Report. 11.00 S.W.A.T. 12.00 Exile in Ecstasy.

ULSTER

1.20 pm Lunchtime. 2.30 Monday Matinee: "B.A.D. Cats." 3.45 Money-Go-Round. 4.13 Ulster News. 5.15 Mr. and Mrs. 6.00 Good Evening Ulster. 6.15 Ulster Decides. 10.29 Ulster weather. 10.30 Ulster Decides. 11.15 Bedtime.

WESTWARD

1.20 pm Westward News Headlines. 2.00 The Monday Matinee: "Trapped Beneath the Sea" starring Lee J. Cobb. 3.42 Gus Honeybun's Birthdays. 3.45 Money-Go-Round. 5.15 Mr. and Mrs. 6.00 Westward Diary. 10.32 Westward Late News. 10.36 Target Bowls. 11.05 Mind Over Matter. 11.35 Rock Stage. 12.35 am Faith for Life. 12.40 West Country weather and shipping forecast.

YORKSHIRE

1.20 pm Calendar News. 2.00 Money-Go-Round. 2.30 Monday Matinee: "Terror on the 40th Floor." 5.15 Mr. and Mrs. 6.00 Calendar (Emley Moor and Belmont editions). 6.35 Happy Days. 10.30 Love Thy Neighbour. 11.00 Rockstage.

RADIO 1

(S) Stereophonic broadcast
‡Medium wave

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.30 Dave Lee Travis. 4.30 Steve Wright. 7.00 Stayin' Alive. 8.00 Richard Skinner. 10.00-12.00 John Peel (S).

RADIO 2

5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 John Dunn (S). 2.00 pm Ed Stewart's Request Show with Family Favourites (S). 4.00 David Hamilton (S). 6.00 David Symonds with Much More Music (S). 8.00 Folk on 2 (S). 9.00 Humphrey Lyttelton with the Best of Jazz (S). 9.55 Sports Desk. 10.00 Town and Country Quiz. 10.30 Star Sound. 11.00 Brian Matthew with Round Midnight. 1.00 am Trucker's Hour (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composer: Heitor Villa-Lobos (S). 10.00 French Music for Flute and Piano (S). 10.35 Edinburgh String Quartet (S). 11.30 Radio Symphony Orchestra: Hanover (S). 1.00 pm News. 1.05 BBC Lunchtime Concert (S). 2.00 Matinee Musicale (S). 3.00 Pianists in Profile (Alfred Cortot). 4.00 New Records (S). 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 Three Italian Writers. 8.00 English Chamber Orchestra Concert from the Royal Festival Hall, part 1: Beethoven, Berlioz, Handel (S). 8.35 Some Variations. 8.55 English Chamber Orchestra, part 2: Mendelssohn, Mozart (S). 9.50 Dog on Front Page (short story). 10.30 Jazz in Britain (S). 11.00 News. 11.05-11.15 The King's Singers (S).

VHF only—Open University: 5.55-6.55 am and 11.15 pm-11.55 and for students in Scotland, Wales and Northern Ireland only: 11.55 pm-12.55 am.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping forecast. 6.30 Today, including 6.45 Prayer for the Day, 7.00, 8.00 Today's News, 7.30, 8.30 News Headlines, 7.45 Thought for the Day. 8.35 The Week on 4. 8.45 John Ebdon explores the BBC Sound Archives. 9.00 News. 9.05 Start the Week with Richard Baker. 10.00 News. 10.02 Money Box. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Landscape with Bandits. 11.50 Poetry Please! 12.00 News. 12.02 pm You and Yours. 12.27 The Small, Intricate Life of Gerald C. Potter. 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre (S). 4.35 A Breath of Fresh Air. 4.45 Story Time. 5.00 PM: news magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 Just a Minute (S). 7.00 News. 7.05 The Archers. 7.20 Start the Week with Richard Baker. 8.00 The Monday Play (S). 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Science Now. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.03 Morning Star. 10.03 The Robbie Vincent Telephone Programme. 12.30 pm London News Desk. 12.40 The Total Music Show. 2.30 Tony Blackburn. 5.00 News. 5.15 Music on the Move. 6.33 Inside London. 7.03 Black Londoners. 8.00 As Radio 1. 10.00 Question Time from The House of Commons. 11.00-5.00 am Join Radio 2.

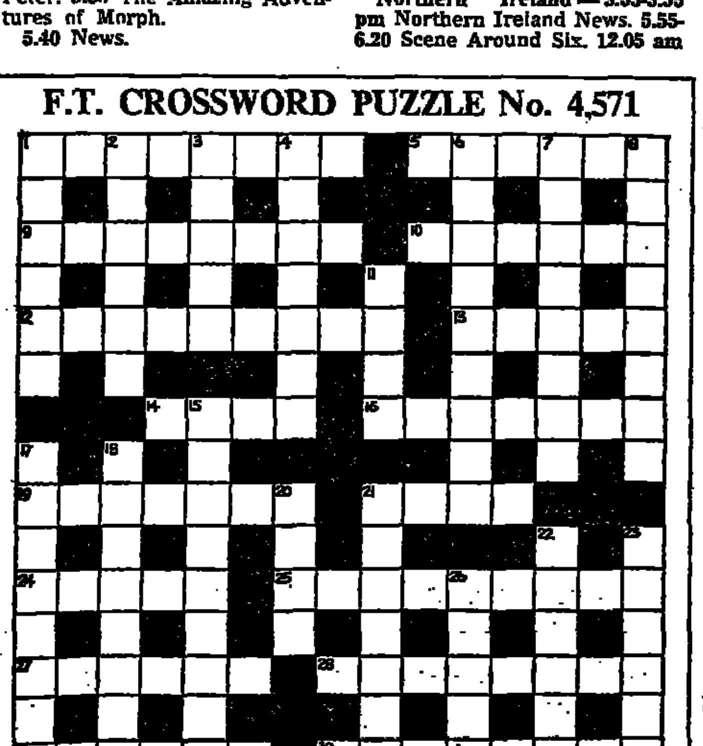
London Broadcasting

7.00 am AM: Des Fahy. 10.00 Jellybone. 12.00 LBC Reports. 1.00 pm Sportswatch. 6.00 LBC Reports. 7.00 Geet Mala. 8.00 LBC Special—Di Latham. 9.00 The London Interview: Jessica Mitford. 10.00 Jenny Lacey. 1.00 am Night Extra. 4.00 Hayes on Sunday. 4.30 Decision Makers. 5.00 Morning Music.

Capital Radio

7.00 am Mike Smith's Breakfast Show. 10.00 Michael Aspel. 12.30 pm Mike Allen. 1.00 First Report. 1.10 Mike Allen (continued). 3.00 Roger Scott. 6.30 London Tonight. 9.30 Alan Freeman (rock music). 10.30 John Sachs's Late Show. 12.00 Midnight Special.

F.T. CROSSWORD PUZZLE No. 4,571



ACROSS

1 Counter-productive female (4, 4)
5 Cunning to scold daughter (6)
9 Stop to put one can in suitcase (4, 2, 2)
10 Blunder saint left to one small dog (4, 2)
12 Carry out instrument of labour (9)
13 Preside over a rich assortment (5)
14 Plan to use piano a great deal (4)
16 Match girl gets round doctor returning sedative (7)
19 Concerning oral exam student is bringing back (7)
21 Wound at Twickenham (4)
24 Pole has stuff to beat it (5)
25 Follow gentle row by stroke (3, 6)
27 Pure speed following Conservative (6)
28 Girl produced by family (8)
29 Cross on Turk's Head to engrave? You start (6)
30 Sick outing ends in abuse (3, 5)

DOWN

1 Poisoned cheer leader after first of month (6)
2 Take up coy disturbance about trophy (6)
3 Key to mature complaint (5)
4 Dress torpedo intended to be heard (7)
6 Money to which William and Mary were each entitled (4, 5)
7 PM is a she liable to stress (8)
8 Passed on left (8)
11 Attempt to wound (4)
15 Affair of the heart pointless at Highbury (4, 5)
17 Saw trial snubbed (5-3)
18 Dull for remaining players (8)
20 What is carried they say in mineral seam (4)
21 Joker to follow bird (7)
22 Attorney returns in place of counsel (6)
23 Live soldiers paper deprived (6)
26 Expert in a small branch (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

FINANCIAL TIMES

PUBLISHED IN LONDON & FRANKFURT

INTERNATIONAL & BRITISH EDITORIAL & ADVERTISEMENT OFFICES

THE ARTS

St. Bartholomew's, Smithfield

Lontano

by PAUL DRIVER

The last of Lontano's short series of concerts at St. Bartholomew's was mainly performed on wind instruments and neatly balanced an earlier one which used strings, both concerts featuring the music of Brian Ferneyhough. On Thursday, Ferneyhough's wind quintet, *Prometheus*, and his oboe and piano *Coloratura* were given a fitting context of works by Varèse (the redoubtable *Octandre*, hurled at us with great gusto) and three contemporaries, Jonathan Harvey, Nigel Osborne and James Dillon. To some extent each of the latter echoed Ferneyhough's special preoccupation with the opposition of schematism and spontaneity in composition.

The gist of *Prometheus* is that, typically, it proposes elaborate systems that are then deliberately allowed to "decay." It's a hard piece, with a pointillist texture every bit as demanding on players and listeners as Stockhausen's *Zeitmasse* (written a decade before). Its complex formal motions—needing to be appreciated metaphysically as much as aurally—result, we are told, in a "version" of the total discourse that is only one of several silent alternatives. Because pointillism has by now become an accepted style to many young players, *Prometheus*, though seeming slightly anachronistic in idiom, at any rate had the benefit of a stimulatingly accurate and idiomatic performance.

Lontano's virtuosity impressed again and again during this vigorous concert. Stella Dickinson and Shelagh Sutherland handled the lucid but frighteningly disjunct figurations of *Coloratura* with brilliant calm precision. The whole group improvised confidently in the structuralist-inspired musical games of Nigel Osborne's *Mythologies* and in the "Seria/alea" piece from Jonathan Harvey's *Album* for wind quintet, where the players "are asked to perform the impossible, to imitate spontaneously what took the composer hours to work out."

Album proved a collection of miniatures with much quirky appeal, bandying about woodwind styles from Poulenc to Ferneyhough, and in "Brian's Fancy" even offering a "thank-you" for the music of the latter. A more strenuous engagement with Ferneyhough's art was indicated by James Dillon's *Once upon a Time* for mixed octet—a loud, dense, ferocious outpouring, said to be about the struggle between "discourse and expression" yet also involved with "the beautiful and exciting metaphysics of unity." Whatever it was, one felt sure the Lontano players were serving it wholeheartedly.

Coliseum, Oldham

One Night Stand

by B. A. YOUNG

It's very easy to write farcical comedy about rock-groups, and Make Harding really hasn't done anything very original. But *One Night Stand*, in its delightfully vulgar way, is very funny from start to finish.

We meet his group, Rocky Young and the Tenbeats, in 1962, when they are still at a Roman Catholic secondary school, preparing to take their "A" levels. They come third in a competition at a crummy club, beaten by a singer who would like to be Frankie Vaughan but isn't and a boy whose act consists of hitting himself on the head with a tin tray. But they get occasional gigs, and they get four girl friends, and they get a manager who at once signs them up for 15 years.

To follow that line of the plot, they make a disc called "Can you twist John Peel?" that takes them to the Palladium and the Royal Variety Show, after which they fade into hard-working, middle-aged indifference.

But what keeps the evening going isn't the story but the jokes. They are in wondrously bad taste—jokes about sex, religion, handicapped people, bad breath, anything you've ever been told not to joke about. They are schoolboy jokes (schoolgirl too, apparently), and a lot of the action is no more than teenage sexual struggle, both mental and physical.

If you throw bad taste about as thoughtlessly as confetti, the offence disappears at once; the audience and I laughed consistently all evening.

What's more, the playing and singing are very expert in their pantomime manner. The music is just 1960s rock, but the lyrics are suitably outrageous, both for the boys and the girls. I can't list all the performers, but I must record my special pleasure in Roger Philips as the manager and several other things, Linda Jean-Barry as a girl so shortsighted she can't see how spotty her boyfriend is, Clive Duncan as a teddy boy with a walk like a hen, and Jeffrey Longmore as the lead singer.

The able director is Kenneth Alan Taylor, and a special word for the choreographer, Sheila Carter.

Wigmore Hall

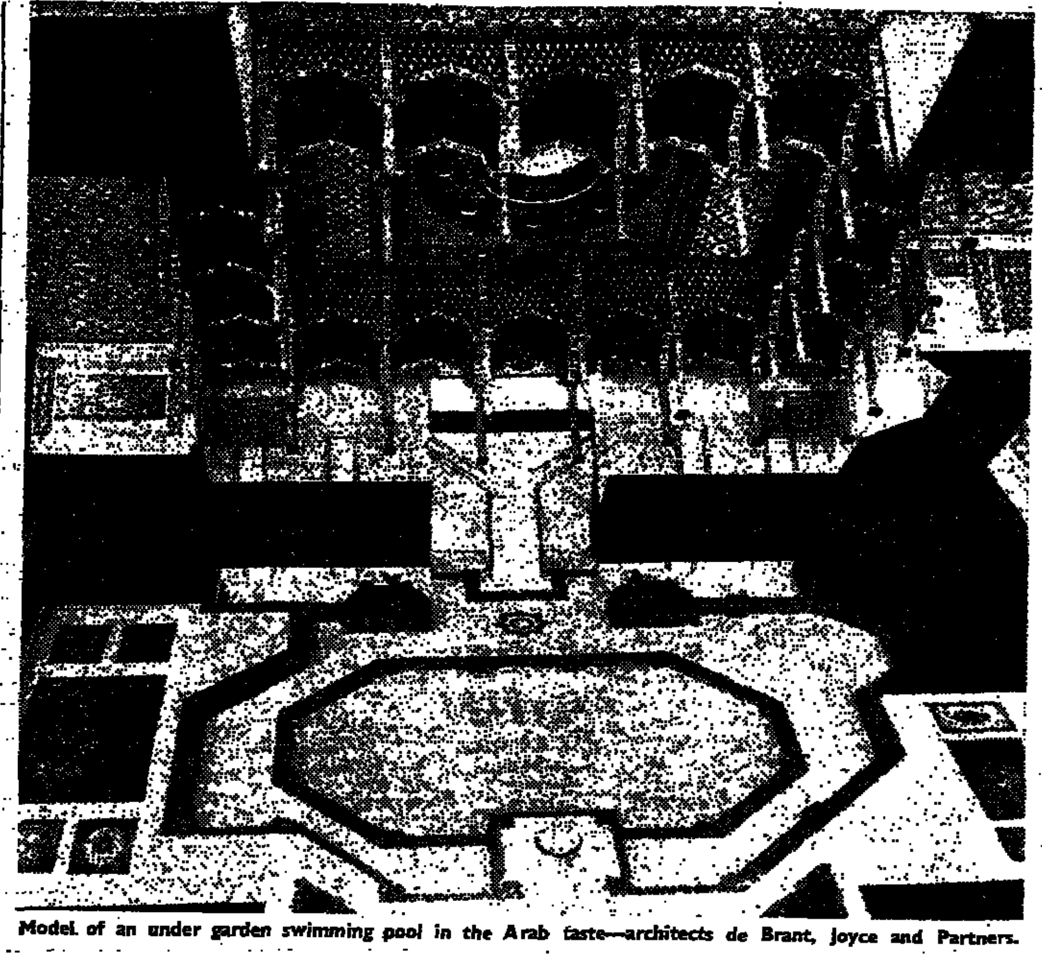
Verhey & Egorov

by DOMINIC GILL

The Dutch violinist Emmy Verhey came to notice 15 years ago when she was the youngest prizewinner at the Chaikovsky Competition in Moscow. Precocity is one thing, but maturity is another. Her Bartok recital last Thursday night was decent enough as far as it went: but it was hardly the confirmation of the ripe fruit of early promise.

Her account of Bartok's solo violin sonata was well-meant but clumsy; texturally dull, low-keyed, lacking in any kind of vital projection. Harmonics were scratchy; intonation was not always secure. The performance at the end of the evening of Bartok's second sonata (with piano) was securer and stronger: but below the surface it also lacked finesse—all the nuances of colour, phrase and attack which might have set it apart and given it individual voice.

It was Miss Verhey's accompanist and partner, the young Russian pianist Yuri Egorov, who stole the show. His reading at the start of their programme of Bartok's Suite Op. 14 for solo piano was a marvel of quick, precise poetry, cut in smoke and marble, full of sombre mystery. Like his account later of the piano sonata, it gripped us instantly and never faltered. The comparison was hardly fair to Miss Verhey: but then, when was great art ever just?



Model of an under garden swimming pool in the Arab taste—architects de Brant, Joyce and Partners.

Architecture

Culture and canapés

by COLIN AMERY

There are 12 architect members of the Royal Academy, two of them are senior academicians, five are full academicians, four are associates and one is President. Every year these apostles of the architects' creed are given the chance to show their own work at the Summer Exhibition and to make a selection for public display of the work submitted by outsider architects. A whole room at Burlington House is set aside for architecture and it is a wonderful chance for the public to assess the state of the art of architecture in Britain just once a year. Last year more than 120,000 people visited the exhibition and most gave the architecture room a glance.

The other thing about the Royal Academy that should be an encouragement for architects and the art of architecture is the fact that the lively president, Sir Hugh Casson is, by his own admission, "first and foremost an architect." He has just published his diary for 1980 which gives a chance to see how much energy he devotes to architecture and the Royal Academy.

One thing emerges from the book only too clearly; this president is so busy buzzing around from committee to committee, from luncheons to dinners to balls and galas that he barely has time to take a breath. But when he is still he remains what he was trained to be, a man who enjoys using his eyes. The *Diary* is a prettily produced book, and is full of Casson's delightful watercolours and doodles of people and places all over the world.

To be serious in Hugh Casson's social whirl is to run the risk of being boring and people who are boring don't get asked to dinner. I must be very boring because I do feel that the president of the Royal Academy apart from being a wit, bon viveur and raconteur should be one of the few people in the nation who can avoid compromise, can promote the best and can be as ruthless in his search for quality as he is energetic in his fund raising and party going.

It would not be fair to blame the president alone for the dim quality of this year's architecture room, Gallery X at Burlington House, but as an architect and a man with an eye he must shudder a little when he wanders in. There are just over 100 exhibits and as usual they are poorly displayed.

In his diary Casson writes that he discusses "with some despair" the problem of exhibiting architecture with his fellow academicians. His despair is as nothing to the visitor's who still has to look at architectural models hanging on the wall instead of being shown horizontally at eye level.

There are some good things. The villa design for Mr. and Mrs. Chaim Schreiber at Chester by James Gowan has the seeds of an adventurous house; the marine centre at Tortola on the Virgin Islands designed by Leonard Manasser has a very cheerful and colourful quality that is seldom visible in this architect's work in the UK. Arup Associates show their head office for IBM UK at Cosham in Hampshire and their factory for Trebor at Colchester, both schemes serious, pleasing and elegant. Richard Rogers shows a gleaming model of a prefabricated hospital unit, a perfect example of a scheme that would really benefit from a little explication.

There is a hint of some of the current preoccupations in the architectural schools in the drawings by Michael Stiff of the Roman Forum seen as a project for an apartment block—Rome transformed into post-modern pastels. Quinlan Terry has his usual classical house shown by a fine drawing, but with what looks like a rather awkward and cramped plan. John Partridge's strong drawing of the Albany, Deptford, has in the actual lines of the pen much of the vigour of his architecture. One practice, Powell and Moya, has devised an effective new way of showing a design for a building — they show the plan of the School for Advanced Urban Studies at Bristol with a peep-show of planes on top of it.

I liked the idea of the swimming pool in the Arab taste by de Brant Joyce and Partners—Islamic arches and tiles surround an eight-sided pool to be built beneath a garden in Kensington. I loathed the ugliest new house I have seen for a long time, 25, Marlborough Road, London, designed by Frishman, Freivokh and Rogers.

I wonder what the new Ismaili Centre will really look like on its wonderful site opposite the Victoria and Albert Museum? It is designed by Casson Conder and Partners and has heavy overhanging top floors and a mass of faintly Islamic pierced screens.

To end on a serious note why doesn't the Royal Academy mount an exhibition of the best of British architecture?

Take a break from the media circus and the canapes Sir Hugh and put British architecture where it belongs—at the centre of all the arts. I'd be happy to help and it wouldn't be boring.

Architecture is in Gallery X at Burlington House, Piccadilly, London, W.1 until August 16.

Hugh Casson's Diary is published by Macmillan, price £8.95.

Apollo, Victoria

Manhattan Transfer

What an infuriating concert. Man Tran could always be relied on for a most entertaining evening. Their repertoire of melodic nostalgia, taking some of the best known, and unknown, songs of the last 50 years and wrapping them up in imaginative harmonies and beautifully orchestrated movement pandered to the need in most people to have the past served up with vivacity and sophistication. And at the Apollo on Friday it was still all there—in patches.

But while the quartet's roots were in early rock and roll, which they civilised with songs from the more melodic '30s and '40s and New York life, they now seem obsessed with jazz and with "vocalising" jazz tunes and rhythms—and while I'm sure scat singing is very tricky it also gets wearyingly repetitive. Then there was a 20 minute yawn in the second half when the group disappeared to let its band bash out a particularly dreary jazz funk piece.

What irritates most is the excellence of Manhattan Transfer when they give a decent song the treatment. There was an exciting version of "Route 66"; a brief reminder of their past with a couple of "doob-wop" songs exploiting the under-used Alan Paul, and, best of all, a quite beautiful solo by Janis Siegel of "Deep in the night." For style, charm, vocal ingenuity and feel for popular music Manhattan Transfer has no competitors: if this group loses itself down a narrow cul-de-sac the quality of contemporary music will be greatly diminished. Bring back the rock pastiches and the thirties crooning at once.

ANTONY THORNCROFT

Messiaen in London . . . .

by MAX LOPPERT

By what one assumes to be an extraordinary coincidence, Messiaen's two most recently completed large-scale compositions, the oratorio *La Transfiguration* (1965-68) and the 12-movement instrumental epic *Des Canyons aux étoiles* (1970-1974), were both being given in England on Saturday evening, the first at Birmingham, the second at St. John's Smith Square. Each, in the economic climate of today, and in consideration of its exigent demands, constitutes an undertaking of rare and admirable daring; is it only the pampered critic, with not only the desire but the ability to attend both, who could regret the clash that made it impossible to do so?

After the first British performance of *From the Canyons to the Stars* at the Festival Hall in November 1975, I expressed a reluctant disappointment at what I felt was the self-indulgent sprawliness of the work, its apparent willingness (for the first time in my Messiaen experience) to trade on well-routined formula rather than break new ground — and, at the same time, a cautious hope that subsequent hearings might prove my estimation no more than the product of short-sighted critical vision. Saturday's was only the second performance of the work here; by putting it together, not before time, the chamber orchestra of the Young Musicians' Symphony Orchestra under its conductor James Blair, is owed a real debt of gratitude — a debt increased by the committed, vivacious, and colourful quality of the playing.

The encounter made sufficiently clear what a quantity of brilliant and stirring invention Messiaen lavished upon the enterprise; yet by the end the uncomfortable satiety remembered from the BBC/Boulez performance had unwillingly to be recognised a second time. Each of the 12 movements, written under the impress of North American physical grandeur (and specifically to hymn, among other natural phenomena, the glory of the great Utah canyons), is a complete entity, dramatically and formally. From each, one records a memory of some special beauty—the lyrical poignancy of the horn solo, "Interstellar Call" (casting a long glance back to the *Quartet for the End of Time*) and the two glittering piano solos, tapestries of bird song, remain high among such souvenirs.

But something loose-limbed must inevitably be inferred about the formal shaping of the whole work when each of its movements suggests so ready an alternate (and perhaps even preferable) existence as an independent instrumental extract, and when the sum seems in the end so exhaustingly over-generous. This last impression was no doubt heightened in St. John's, whose acoustics at once resonant and "close-up" left the performers a less than ideal amount of room to explore contrasts of dynamics; one was unwilling to blame the pianist, Paul Crossley, for the cumulative sensation of being pummelled by his instrument.

A slightly more spacious approach to the movements that close each of the three parts, and a weightier body tone from the hard-pressed chamber-size group of young string players, might also have delayed the feeling of being overwhelmed. But, whatever one's summation of the work itself, there could be no doubt of the players' exhilirating virtuosity, singly and corporately, their keenly prepared attack; the horn soloist, Michael Thompson, deserves a special mention. The concert was recorded by Radio London, and is to be relayed this coming week.

. . . . . and in Birmingham

by ANDREW CLEMENTS

Even by the standards of a composer who has never flinched from tackling the massive and the apocalyptic, Messiaen's *La Transfiguration de Nature Seigneur Jésus-Christ* is a big piece. With interval it lasts two hours, and requires a choir and orchestra each of over 100 performers, tenor and baritone soloists as well as seven obbligato instrumentalists. It is a celebration on the grandest scale, as spectacular in its own way as Berlioz's Requiem or Mahler's eighth symphony. Saturday's performance in Birmingham Town Hall, the first in Britain outside London, was the ambitious climax to the City of Birmingham Choir's golden jubilee season. The enterprise was very impressively rewarded.

In *La Transfiguration* so many strands of Messiaen's development are brought together that it is tempting to see the work as a *summa*, a definitive stylistic and theological exposition. Around the central theme of meditation on Christ's Transfiguration is a gloss of biblical texts and extracts from the composer's beloved St. Thomas Aquinas; according to Robert Sherlaw Johnson there are more bird-songs quoted than in any other Messiaen work; the scrupulous cataloguing of Hindu rhythm and Greek modes is here extensively exploited. *La Transfiguration* overwhelms as much by its remorselessness as by the grandeur of its gestures — the listener is outgunned emotionally by the accumulation of climax upon climax, by the inevitability of the rigid structure.

Two symmetrical halves — "septenaries" the compooser calls them — are each capped by an enormous chorale (in itself a crystallising-out of Messiaen's harmonic systems); pairs of Meditations are separated by simpler Gospel narratives. The second half of the work does to a certain extent develop and extend ideas from the first and attempts to tie in some thematic loose ends, but the total effect is of a single vast edifice, marmoreal in its unapproachability.

Conducted with great commitment by Christopher Robinson, the City of Birmingham Choir and Symphony Orchestra made their finest impression in the most overwhelming passages, in the two chorales and the more intricate later meditations of the second half. Messiaen fashioned his choral writing cunningly; in a work written for the 1966 Gulbenkian Festival in Lisbon, he gives the choir largely homophonic passages, vividly evoking the conventions of plainchant. It remains difficult to pitch, and full of rhythmic pitfalls, but the Birmingham Choir coped splendidly; the occasional ragged entry one could put down to over-enthusiasm rather than inattention.

Problems of balance could not so easily be overcome. So many of Messiaen's later works seem to demand a notional "infinite" acoustic, a space in which his sound complexes can expand and die away unhindered. The Town Hall in Birmingham was sometimes too small to cope with these sonorities, and more seriously the instrumental soloists could not always be distinguished. Messiaen seems to have envisaged something between a Bachian obbligato group and concertante soloists; this performance favoured the former approach. With the notable exception of the pianist Peter Donohoe, many of the solos were to pale and reticent; the percussion writing (for vibraphone, marimba and xylorimba) especially needs to be dispatched with maximum *élan*.

Overall, however, a performance of the most elevating kind. At present the CBSO is evidently in fine fettle (the consistency of the orchestra's brass was one of its most impressive features); Christopher Robinson continues to suggest that he is one of our most imaginative and accomplished choral conductors. A memorable occasion.

Morley College

The Emperor of Atlantis

The British stage premiere of Viktor Ullman's fascinating opera was an adventurous undertaking for Morley College's Music Theatre department. It was imaginatively prefaced on Friday evening by a well prepared but rather nervous performance of Messiaen's *Quartet for the End of Time*, an interesting parallel, since both works were written during the composers' internment by the Nazis: Messiaen was a prisoner of war in Stalag VIIIA, Ullman remained in the Theresienstadt concentration camp before being killed in Auschwitz.

The circumstances of *Emperor of Atlantis's* gestation —it was originally intended to be performed by the composer's fellow prisoners—will deflect objective assessment of Ullman's musical achievement for some time to come. His method is eclectic, veering from Wagner to Weill via early Schoenberg. The references cited—Bach, Haydn, Mahler—are deliberatedly unassimilated and the opera could be considered a contemporary, even post-Modernist product of European society for its deliberate, and in the context, pitiful, use of nostalgia.

The conductor of the Morley performance, Michael Graubart, improved on Kerry Woodward's performing edition (which brought the opera to public attention in 1975) by the restitution of a small cut and the reinstatement of a large number of harpsichord passages Woodward had decided to orchestrate. Graubart paced the work effectively and secured remarkably good ensemble considering the separation of singers and orchestra (placed above and behind the stage area) necessitated by Morley's cramped studio conditions.

Annie Smart's designs and Nicholas Till's production capitalised on these cramped circumstances, using them to simplify and intensify the drama. A complex lighting plot often went awry, and Till's cabaret staging of a couple of songs needed slicker execution. These parts of the action were too close to Brecht's concept of epic theatre, where the inadequacies of the staging compel the audience to imagine the vast implications of the work-at-hand's meaning.

The cast was well prepared, well chosen. In the title role, Paul Wilson's firm and resonant baritone constrasted well with the softer, warmer tones of Richard Wigmore's Death. Christopher Gillet showed the most stage assurance and sang Pierrot in a clear and gentle tenor. Soprano Dorothy Maddison displayed a well focused top register without a comparably firm or interesting grounding lower down. If she can balance out her attractive, clean sound, she will become a singer to reckon with.

RICHARD JOSEPH

CRICKET by TREVOR BAILEY

All set for a summer of confusion

THIS SUMMER is bound to be confusing for players and cricket followers, because of the numerous different forms of the game, the various changes in playing conditions and the fact that there are so many sponsorship awards that it is impossible to remember them all.

An England player could find himself having to adapt to no fewer than 11 versions of cricket—the Cornhill Tests, the Prudential Internationals, the Schweppes Championship, the John Player League, the NatWest Trophy, the Benson and Hedges Cup, a Holt Products tourist match, the Lambert and Butler Cup, a three-day friendly such as MCC v Middlesex, the Fenner Trophy and benefit games for a colleague.

The alterations to the rules have naturally been made with the best intentions, but whether they prove successful is a different matter. In recent years one of the less attractive features of test cricket has been the funereal over rate. Last summer at the Oval the West Indies completed 74 overs in a full day's play, an average of under 13 per hour.

This is unsatisfactory for spectators, particularly if the excitement of falling wickets does not occur. It is also patently unfair to the batting side, who, even if they average four runs an over—a real gallop in international cricket—they will not reach 300 in a day.

In an effort to provide a more acceptable over rate, and because fining offending teams has had little effect in county cricket, England and Australia have agreed that 100 overs should be the minimum to be bowled in six hours' uninterrupted play. To achieve this the tests start at 11 am and overtime will, if necessary, be played from 6 pm until the requisite number has been reached.

The idea is splendid, but a fluctuating time for drawing stumps provides problems for the tight programme schedules of television. This may appear unimportant until one remembers how much professional cricket depends on the box, not only for the fees, but more vital on commercial sponsors, who would not be so generous without the coverage.

Two innovations, both financially motivated, in the fight for the Ashes are the increase from five to six tests and playing on Sunday in three of these. The timetable will need to be revised if Sunday tests become a regular feature. It is clearly absurd to have the Sunday, with its obvious crowd potential, falling on the fourth day, by which time the match could be either dead or dying.

The two principal changes in the Schweppes Championship are the ending of the 100-overs limitation in the first innings and the total covering of pitches.

The first, which did so much to encourage negative bowling —and to discourage young middle order batsmen, is to be applauded. The second ends one of the great joys of cricket —making runs on a rain affected wicket, which provided batsmen with a real test and gave spinners the opportunity to win matches.

Covered pitches are likely to increase the number of draws and artificially contrived finishes. The game itself must be the poorer and the duller for having lost the challenge and the uncertainty which rain and sun combined produce.

One of the more depressing sights in limited overs cricket is the entire fielding side, with the exception of bowler and keeper, encircling the boundary. To prevent these tactics in the Benson and Hedges Cup, four fieldsmen, in addition to bowler and keeper, must be stationed within a radius, marked by lines or discs, of 30 yards off the stumps.

This prevents entirely negative field placing and may eventually lead to captains thinking rather more in terms of dismissing the opposition and rather less of merely preventing runs.

Although one might think that four competitions for 17 counties is already one too many, another, the Lambert and Butler Cup—a frolic staged on football pitches under floodlights—starts this ummer. The novelty and the excitement could attract a new audience, but in terms of cricket the only real justification lies in the additional revenue it should provide for clubs and players.

TENNIS · BY JOHN BARRETT

Vital secondary circuits expand

AS THE European men's season gathers speed with the conclusion yesterday of the German Open in Hamburg and the tournament in Florence — the latter a curtain-raising to the Italian Open which begins in Rome today—it is interesting to note the progress the professional game has made this side of the Atlantic at the level immediately below these Grand Prix tournaments.

The formation of the European Tennis Association in the mid-1970s was a major factor in preventing the entire professional game from gravitating to the U.S. The satellite circuits which the national associations organise in Europe are vitally important in giving competitive opportunities to their own developing youngsters as well as to any visiting players of the required standard.

Together with single tournaments with minimum prize money of $25,000, the satellite circuits are the only means of earning those vital ATP computer points that are the basis of acceptance for Grand Prix tournaments.

In 1977 there were nine men's satellite circuits in seven European countries with total prize money of $226,000. This year there are 14 circuits in 11 countries and the prize money has risen to $565,000. In addition, the number of $25,000 tournaments has risen from seven three years ago in three countries to 31 this year in inine countries.

Three of these, sponsored by Pernod were staged recently at West Worthing, Chichester and Lee-on-Solent. Excellent they were, too, at bringing home to provincial audiences that tennis in Britain does not begin and end at Wimbledon. High standards prevail at this apprentice stage where a leavening of older players near retirement provide added tests for those climbing the ladder.

The growth in the women's game, though less spectacular, is equally important. From four circuits in three countries with $125,000 prize money four years ago, there are this year seven circuits in five countries with $155,000 to play for.

Whether the determination of the women to plough a lone furrow at major events in the worldwide Toyota Series makes as much sense is debateable. Not only do they struggle to attract large crowds—reports from the Italian Open at Perugia were not reassuring on that count—but isolation breeds other less savoury problems which Mrs. King's recent revelations hinted at without revealing more than the tip of the iceberg.

Three or four recent results have interested me in highlighting the mental aspect of tennis. Given the fact that there are dozens of players who are technically competent, highly trained physically and suitably motivated, it is the mental control—of self and opponent—that ultimately decides a player's place in the hierarchy.

One of the commonest falls is that of the unfancied player in the weeks following a spectacular success. Thus it was no surprise to see that Carlos Kirmayr, the 30-year-old Brazilian who had saved seven match points in three matches to reach the final of the WCT Tournament of Champions the previous week, should have crashed in Hamburg.

He lost 6—3, 6—3 in the second round to Tony Giammalda, elder brother of Sammy, the outstanding U.S. junior champion. The real test for Kirmayr lies this week and next in the French Open, for he must pick himself up and believe that he really is as good as he most certainly was in New York.

The loss of Vitas Gerulaitis 3—6, 7—5, 7—6 to little Angel Gimenez of Spain at the same stage in Hamburg—after his 7—5, 7—5 first round loss to Fritz Buehning in New York—is equally serious for a man who was the Italian Open champion two years ago and the runner-up to Bjorn Borg in Paris last year.

I am sure his problem is one of tension at the vital points. Certainly he was very nervous and tentative against Buerhning and the score against Gimenez suggests similar inhibitions.

In a sense Kirmayr and Gerulaitis are both losers. Though fine players, they know their places in the firmament and only rarely break free of the mental chains that keep them there. It is easy to identify

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U.S. taxation and Europe

LESS THAN two years ago the shortcomings of U.S. monetary policy, against the background of an enfeebled U.S. dollar, were at the centre of world attention. Today it is the fiscal policies of the Reagan administration, set against a dollar of worrisome strength, which dominate our economic concerns.

A period of lively economic growth in the U.S. has prompted the Federal Reserve to boost U.S. interest rates in pursuit of monetary control. The three month eurodollar rate has risen by almost 3 per cent over the past month to around 20 per cent. This resurgence is now accompanied by a widespread suspicion in the financial markets that President Reagan's combination of tax and spending cuts will prove reflationary and thereby ensure the need for a high level of dollar interest rates for some time to come.

Medicine

The present character of the currency market means that much of the world suffers as the Fed exercises its monetary self-discipline. The volatility and disparity of world interest rates are now so marked that the foreign exchange markets have become acutely interest rate conscious. They have produced a topsy-turvy world where inflationary currencies, for which the medicine of high interest rates is prescribed, can be an attractive speculation.

High rates have helped drive the trade-weighted exchange rate of the dollar up by 12 per cent since the start of the year. Because oil is priced in dollars this means that U.S. monetary policy has taken over from OPEC in driving up the oil import bills of the non-dollar world. And countries already borrowing to pay those oil bills are doubly burdened by the high level of interest rates on their debt.

Of course, such burdens are not necessarily apparent to the powers-that-be in Washington. America is now paying less in real terms for its oil than it was at the end of last year. There is some concern in Europe that the U.S. Administration is indifferent to the impact of the dollar's strength, just as it once reacted to the dollar's weakness with benign neglect. The recent assertion by Mr. Beryl Sprinkel, the U.S. Treasury under-secretary, that there will henceforth be less intervention in the currency market by the U.S. authorities certainly smacked of such indifference.

Meanwhile, political developments in Europe have increased the discomfort for European governments as they seek to match the appealing yield on the U.S. dollar with interest rises in their own beleaguered economies. The election of President Mitterrand in France has required a 4½ per cent increase in French official rates, to 18 per cent, to hold the franc inside the European Monetary System. The German Bundesbank is now in the quandary that if it supports the D-Mark against the dollar it risks dropping the French franc through the floor of the European system.

It indubitably remains in all our best interests that the U.S. does not abandon monetary self-discipline and relent in the fight against inflation. This implies that other Western countries may have to accept a period during which their interest rates remain uncomfortably high. That said, it is also vital that the new Reagan Administration creates an impression of fiscal responsibility in order to reduce the general expectation of high U.S. rates and the global appeal of the dollar.

There is certainly no unanimity in the U.S. that President Reagan's combination of a cut in Social spending, a boost to defence spending, and a reduction in personal taxation will have an impact that is, on balance, reflationary. Yet the prevailing sentiment on Wall Street is that it will. The effect of this sentiment on the world outside America is very real and the Reagan administration needs to tailor its fiscal measures accordingly. Fortunately, there are some signs that the White House is willing to show some flexibility in its tax and spending plans.

Experiment

U.S. tax and Government spending, U.S. monetary policy, dollar interest rates, the dollar's strength, the price of oil, the need for high interest rates elsewhere—this is the chain of influences which brings President Reagan's tax experiment home to the embattled European finance director. He can only hope that the experiment is not pursued too rashly and that all central banks do what they can to blunt the worst excesses of the currency market's movements in the course of it.

The City and self-regulation

IT IS just over three years since the Bank of England annonced the setting up of a new self-regulatory body for the UK securities markets—the Council for the Securities Industry. But the Council has yet to establish a clear identity for itself, either in the eyes of the public at large or even within the narrower confines of the City of London. It is still a matter for debate whether the Council should be given significantly greater powers — or scrapped.

Supervised

One explanation for this uncertainty is that, unlike the Takeover Panel, the council was not formed to fill any great gap in the regulatory system. Indeed, its main virtue in the eyes of at least some of its supporters was that it would help to deflect the Labour Government's thoughts away from the idea of any further intrusion by the statutory authorities into the affairs of the City.

But self regulation is not an alternative to a statutory system, even in the U.S. where the Securities and Exchange Commission exercises quasi judicial powers as a regulatory agency of the federal government. There, as in the UK, the securities markets are supervised through a blend of statutory rules and self regulation.

The Wilson Committee found that the balance between the two was broadly correct in the UK at present, a view which we share. The job of the Council for the Securities Industry is to make sure that the various self regulatory bodies under its authority do their job properly, and that any gaps in the system are plugged. It also has a responsibility to define the limits of self regulation, and make it clear when in its view the law needs to be strengthened. Examples of this include insider dealing, the recent St. Piran affair, and the series of scandals among licence dealers which has highlighted the need for change in the Prevention of Fraud (Investments) Act.

So there is a job to be done, although it may not be particularly glamorous. The question is whether the Council is best equipped to do it in its present form.

One valid criticism made by Wilson was that too many of its members are interested parties. In the main, the council is made up by the representatives of a large number of trade associations. Some of these have very little, if any, regulatory power over their own members, and a number are by no means central to the workings of the market place.

Increasing the proportion of independent members might help to give the council some badly needed public visibility. Reducing the number of vested interests in the council would make it easier to deal with controversial subjects such as "dawn raids"—the one really hot potato which the council has stamped on so far. And it need not threaten its authority over the securities industry at large, since that is built more on the implicit backing of the Bank of England than anything else.

Guide lines

Another change would be to appoint a high powered chief executive to help guide the chairman and other independent members. At present, the council seems remote from the market place, and has sometimes appeared anxious to find things to do without knowing where to look for them. As a result some of the council's efforts have been misguided, such as its embarrassing attempt to introduce a code for new issue sponsors, and others—like its guidelines for personal dealings by fund managers—have had little practical impact.

The danger would be, of course, that a chief executive would dash around looking for things to do simply to justify his existence. To counter this, it has been suggested that the director general of the Takeover Panel should take a broader executive responsibility within the council. At present, the panel sits rather uncomfortably as an executive agency under the general authority of the council.

The securities business works best under rules that are both flexible and fair. The Council for the Securities Industry must be in the best shape possible to preserve the balance between these two qualities.

TRANS-EUROPEAN MERGERS

Why marriages end in tears

By Andrew Fisher

MARRIAGE HAS not turned out to be the most enduring of institutions among European companies, many of which now find that the grand designs of 10 or 20 years ago have lost their lustre as the going has become tougher.

Financial imbalances harsh economic trends, policy disagreements, and the sheer effort of finding a way through differing national tax and company laws have taken their toll of several much-heralded European link-ups in recent years.

The main hope behind all such partnerships has been that marked rises in efficiency and profits would stem from economies of scale, joint investment and money-raising policies, and unified product and sales strategies.

MAJOR EUROPEAN CROSS FRONTIER LINKS

Companies	Countries	Sector	Date	Result
Royal Dutch/Shell	Holland Britain	Oil	1907	Continuing
Unilever	Holland Britain	Food Chemicals	1927	Continuing
Agfa-Gevaert	W. Germany Belgium	Photography	1964	German partner taking control
Akzo (Enka)	Holland W. Germany	Textiles	1969	Continuing
VFW-Fokker	W. Germany Holland	Aircraft	1969	Ended 1980
Dunlop-Pirelli	Britain Italy	Tyres	1971	Being ended
Estel (Hoesch-Hoogovens)	Holland W. Germany	Steel	1972	Continuing
Semperit-Kléber Colombes	Austria France	Tyres	1973	Ended 1979

Last month saw decisions to end one of the most ambitious of cross-frontier unions, that between tyremakers Dunlop of the UK and Italy's Pirelli, and to put control of one of the earliest, Agfa-Gevaert, fully into West German hands with the agreement of the Belgian partner.

With hindsight, it is easy to say that so-called transnational groupings do not work. The pressures are often too great and lead to intolerable strains when conditions worsen. But in the cases of Dunlop-Pirelli and Agfa-Gevaert, there is no doubting the strength of the original vision.

So what went wrong between the optimistic formation of such firm links and the rueful decision to shake them off? In the case of the Agfa-Gevaert photography merger, the taking of control by the Bayer chemical concern of Germany marks the end of a bold move, begun 17 years ago, to create a genuinely European company.

Not that Agfa-Gevaert is being broken up. The stronger partner is simply taking over because it alone has enough financial muscle to inject new capital into the company. This was foreshadowed last year when the original 50:50 ownership with Gevaert was shifted into a 60:40 relationship in Bayer's favour as it put in much-needed funds.

Looking back on the problems — not least the sharp rise in silver prices after the Hunt Brothers' ill-fated speculation — Andre Leysen, the chairman of Agfa-Gevaert, was quite clear on what went wrong. The taking over of the reins by Bayer was, he felt, inevitable.

"Always, when you have a very strong partner and a weaker one, one of them cannot keep up when more money is needed," he said. "We have found the perfect solution — I feel happy." Ironically, it was the Belgian activities, centred on industrial and X-ray film, which made money last year, some BFr 1.3bn (£16.7m), while the German side, mainly amateur film and cameras, lost BFr 295m (£3.8m).

Even without the silver price disruption, commented M. Leysen, Bayer would eventually have had to take control. "The better we work, the more money we need." Simply financing the growth of one of the world's top photography concerns — Kodak of the U.S. is way ahead in first place, with Agfa-Gevaert and Fuji of Japan neck and neck—would require huge capital sums.

Despite the fervent Flemish pride attaching to Gevaert, the Belgian shareholders, comprising banks, insurance companies, and individuals, felt they could not put up any more money, especially since no dividend has been paid since 1978. Belgian reaction to the impending full Bayer takeover has been muted, having been sharply expressed when the merger went from 50:50 to 60:40.

M. Leysen, who joined Agfa-Gevaert two years ago, does not believe that cross-frontier groupings can continue to work on a pure 50:50 basis, since each side thus has the power to block the other. Another hindrance is a major difference in the size of the partners, as the balance must inevitably tip in the stronger one's favour, as with Bayer.

Highlighting the tax and structural difficulties caused by the lack of any uniform EEC company law, M. Leysen told the Press in Belgium recently that the great hopes placed by Agfa-Gevaert at its foundation in 1964 in a furtherance of European integration have not been fulfilled. "In this respect, the EEC has not advanced; national interests are undiminished in the foreground."

Clearly, therefore, the concept of the truly European company has taken a beating. Without EEC harmonisation of company law, taxes, and accounting practices — on none of which any progress worth mentioning has been made — companies wishing to set up house together find it very hard to get beyond the initial embraces.

While Royal Dutch/Shell and Unilever, both remarkable examples of long-standing transnational unions, managed to find the right formula back in the early part of this century, those who have tried the same thing in the last two decades have found the obstacles almost insurmountable.

One of the most protracted and painful of recent break-ups took place last year when the Dutch and Germans decided at long last that the VFW-Fokker aircraft partnership had to be grounded. Here, national pride and squabbles over model priorities played a large part in the divorce. As for the short-lived link, via a Swiss holding company, between Semperit of Austria and Kleber Colombes of France, this eventually fell victim to the weakness of the tyre market.

Dunlop and Pirelli, now in the process of dissolving their troubled 10-year union in the tyre and industrial goods sectors, originally took a close look at the Royal Dutch/Shell and Unilever combinations—neither is a merger in the strictly legal sense—to see if they could follow in their footsteps.

"But it became obvious very quickly that we couldn't get to 50:50," said Mr. Roy Marsh, a director of Dunlop Holdings and closely involved in the Pirelli partnership. "So we got as near as we could." In fact, Royal Dutch/Shell is 60 per cent Dutch and 40 per cent British, while Unilever has no Anglo-Dutch crossholdings, being linked through dividend and board agreements.

Andre Leysen, Chairman of Agfa-Gevaert

The final Dunlop-Pirelli link was a vague approximation of the Royal Dutch/Shell arrangement, except that both companies took large minority stakes in each other's interests. Described ringingly at the time by Sir Reay Geddes, then chairman of Dunlop, as "a historic decision which requires both judgment and faith," the union began to run into the sand very quickly.

"It was very much the Italian debacle," said Mr. Marsh, referring to the traumatic turn rapidly taken by that country's economy. "There was always the fear on our side that any money we made here was going to disappear down a big black hole." Within a few years, Dunlop had to provide over £41m against its stake in Pirelli which only returned to profit in 1980 after a decade in the red.

Had all gone well with the union, both sides firmly intended to press on towards a full merger in the hope that European tax and legal harmonisation would make this possible. In the end, though, another of Sir Reay's initial statements—"partnership will, in the short-term, bring burdens to both of us"—was sadly borne out, except that the short-term became long-term.

Within the companies themselves, differences of nationality obviously caused complications but did not bring about severe strains. In Agfa-Gevaert, too, said M. Leysen, managers from the two partner countries work well together—"the question of nationality is unknown on our board."

Writing seven years ago, Professor Renato Mazzolini, an Italian who lives in Monaco and lectures on business in France and the U.S., was quite clear on the benefits he thought could be gained from European amalgamations. Since then, however, no major new links have been forged across frontiers in Europe and several have been undone.

In his book, *European Transnational Concentrations*, published in 1974, he wrote: "The movement towards transnational business integration should accelerate—first in high technology sectors, then in sectors requiring a high marketing commitment, and finally in all the sectors requiring large investments." This, he added, "should carry with it considerable promise for European industry."

As the table shows, few companies have helped to realise this promise. There was an ambitious attempt in the high-technology area singled out by Professor Mazzolini. But the Unidata computer link-up between Germany's Siemens, Philips of Holland and CII of France lasted only two years until 1975 when the Paris Government decided that CII would fit better with Honeywell-Bull. Siemens and Philips are, however, joint owners of the Polygram record company.

In Europe, there seems to be less and less of a future for major cross-frontier unions, the emphasis now being on cooperation for specific projects, such as aircraft. "There are not going to be the big transnational mergers," said Philippe Haspeslagh, business policy professor at the INSEAD management school in Fontainbleau, "but more forms of joint venture."

Surveying the past 17 years of Agfa-Gevaert and the often vain attempts of other companies to amalgamate across frontiers, Andre Leysen summer up philosophically: "If I am asked, I tell people that such mergers have so many handicaps that it is better to avoid them."

ESTEL: PRESSURE FOR DIVORCE RESISTED

ESTEL, the Dutch-West German steel concern which is still staggering on after six straight years of losses, may not be the most shining example of the benefits to be gained from a cross-frontier merger. But despite reports that a split cannot be long delayed, the group is doggedly pursuing a course which it hopes will see it emerge from the prolonged steel crisis intact and without too many scars.

This year is likely to be a major test for Estel, which combines Hoogovens of Holland, with its relatively low-cost coastal site at Ijmuiden, and Germany's Hoesch whose Rhur site in Dortmund is closer to the industrial markets of Europe.

Both sides have been losing money since the mid-1970s, but the red ink has recently been flowing faster in Germany.

As a result, local output is to be sharply reduced in Dortmund while the amount of steel to be shipped there for processing from the Dutch end will be more than doubled by 1983 to over 1.1m tonnes a year. Not surprisingly, the German trade unions jibbed at the restructuring plan, especially since it had been first intended to build a new oxygen steel plant at Dortmund to replace the open hearth furnaces.

Over the next few weeks, Estel hopes to push through a gradual rundown of the open hearth furnaces with the newer technology being phased in throughout the 1980s. Clearly, with losses nearly trebling last year to Fl 488m (£92m) and the early months of 1981 showing little relief, the options open to Estel are limited.

Estel hopes for a gradual upturn in the second quarter which, if sustained, should regenerate some of the impetus behind the original get-together some nine years ago. At that time, there was much talk of the advantages to be gained from economies of scale and the combination of coastal and inland sites.

Because of its 14.5 per cent holding in Hoesch, the Dutch Hoogovens company has the controlling edge in Estel, which is based in Holland at Nijmegen. The Estel board is equally Dutch and German — the chairman, Jan Hooglandt, is from the Netherlands — but there is no doubting that the events of the past six years have caused strains within the bi-national management.

If anything, Estel executives feel, the restructuring now planned should bring the two sides even closer together. In less than a decade of marriage, Estel has had more bad years than good. The fact that it has kept going until the 1980s does not guarantee further survival, but suggests that the pressures for divorce will be strenuously resisted.

MEN AND MATTERS

Cross-roads for Windlesham

It is the lure of politics as much as anything that has decided Lord Windlesham to quit ATV Midlands when it takes over the new ITV franchise for the East and West Midlands at the beginning of next year. "I have only been able to get to the House of Lords once or twice a month lately," he tells me; "and I do miss it."

Windlesham left ITV once before for politics. He was managing director of Grampian in 1970 when Edward Heath summoned him to a post in the Government as Minister of State at the Home Office.

Within two years, he had been appointed deputy to Willie Whitelaw at the Northern Ireland office where he consolidated his reputation as a shrewd analyst of policies. "He was very good at foreseeing the morning after the night before," it was said. In 1973, at the age of 41, he was given a place in the Cabinet and made Leader of the Lords.

Windlesham returned to television, in which he started as a producer, after the Heath Government fell in 1974. His seven years as managing director of ATV make him the longest-serving managing director in the five major ITV companies.

"It is a very demanding job," he says, "and I've had a very long run." Since ATV is in the process of restructuring the company to meet the IBA's terms for the new franchise, the time seemed right to announce his departure in pursuit of broader interests. Windlesham will remain on the Board of the parent company Associated Communications after helping establish ATV's new management under chairman Sir Gordon Hobday.

In television as well as politics, Windlesham has been numbered among the progressives. Though he has had his differences with the IBA, chairman Lord Thomson of Monifieth pays ungrudging tribute to his "notable contribution" to the medium. And Windlesham's book, Broadcasting in a Free Society, is revered as the industry's Bible.

"Perhaps they are carrying on this Pantomime in the hope of getting a grant from the Arts Council."

A la carte

Difficult to convey in a few words the unique flavour of the American way of life.

U.S. publishers trying to promote cultural understanding in China, I see, have put together an exhibition of books that catches some of the distinctive taste. It includes a Sears Roebuck catalogue, a history of baseball and several sex manuals. From these basic ingredients, the Chinese reader can move along the shelf to acquire a more sophisticated palate on Lolita and Catch 22.

Chinese who find it all difficult to digest can take heart from the fact that Americans have their problems in capturing the essence of other cultures.

The U.S. journal Community Life writes ruefully: "In last week's issue, a picture caption listed some unusual gourmet dishes that were enjoyed at a Westwood Library party for students enrolled in a tutorial programme for conversational English.

"Mai Thai Finn is one of the students in the programme and was in the centre of the photo. We incorrectly listed her name as one of the items on the menu."

Social status

With Claude Cheysson likely to be plucked from the European Commission shortly to be Mitterrand's Foreign Secretary, Britain's Ivor Richard is talking of making a firm bid for the job of supervising the EEC's relations with the developing world.

Richard would have liked the development portfolio when he arrived in Brussels in January. But Cheysson was then immoveable. Now Richard's problem is that of conflicting advice.

The British Government has let it be known that, of course, the final decision is his. But it just wonders whether he would be better retaining social affairs. Richard's advisers are divided. Some argue that with the EEC about to recast its policies, he could make his name as the man who swelled the social affairs budget and established it as a central policy.

Others say he has no chance of delivering solutions to the Community's social problems and that the Labour backlash in Britain could destroy his plans for re-entering domestic politics.

Richard's inclination is to push for the Cheysson job—and be ready to appear a good loser if the French insist on keeping it for their new man in Brussels.

Expressed views

Not a man to dilly-dally about, Sir James Goldsmith has been quick to make his mark as editorial boss of his French weekly l'Express.

Having struck the names of editor Olivier Todd (dismissed last week) and director Jean-Francois Revel from the latest edition, Goldsmith has written a 60-word inset assuring his readers that whatever they might, momentarily, have thought, he is not a Socialist supporter.

The l'Express cover which showed a decrepit Giscard d'Estaing might have suggested the paper was taking sides, he says. But no—It is still the same "proud, independent and free newspaper which is the platform of liberal currents of ideas, whatever their origin: non-extremist Right, centre, or non-totalitarian Left."

Others wonder whether the paper can ever be the same. Former director Francoise Giroud says bleakly: "Press barons can come from anywhere, Right-wing or Left-wing, but to make a great newspaper you have to be a great newspaper man."

Pick nick

In a year when they recovered nearly 40 per cent of property stolen and reduced the crime rate by 5 per cent, the City of London police cannot have expected any thanks from the lads on the other side of the law.

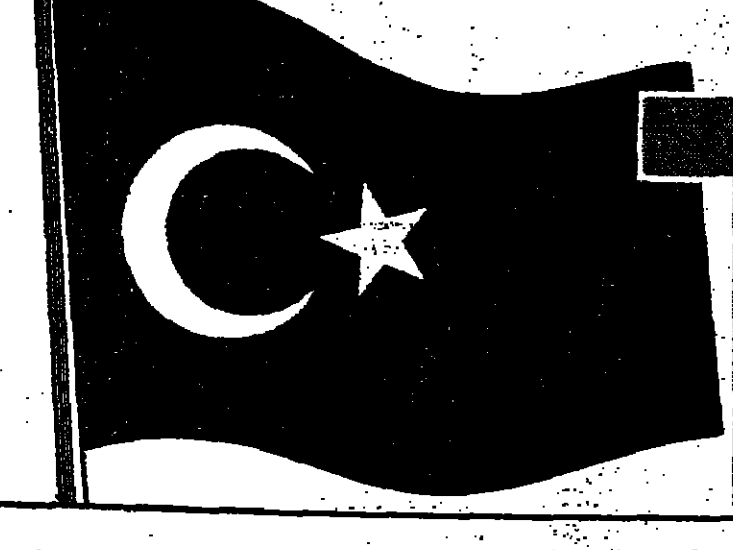
The caring, sharing cops at Snow Hill, however, have just received a glowing tribute from a prisoner detained there during the prison officers' strike. Now "back home" in Brixton, he writes to thank Snow Hill for "making our stay so 'accommodating'"—even more appreciated, he says, since hearing some of the "horror stories" about other police stations that looked after his mates.

"You will be amused to learn," adds the grateful guest, "that a shamefaced colleague discovered he had put on half a stone under your charge: quite clearly Snow Hill warrants a five-star entry in the Egon Ronay Guide to Police Stations."

Observer

FINANCIAL TIMES SURVEY

Monday May 18 1981



Turkey IN THE 80s

General Evren, Head of State and Chief of the General Staff.

Turkey has taken huge strides since winning independence, but its full potential remains to be developed. General Evren, who is interviewed in this survey, has still to announce a timetable for a return to parliamentary democracy. An economic recovery programme is on course, but solving Turkey's economic difficulties and its structural tensions will require time.

"One Turk is worth the whole world."
"Happy he who can call himself a Turk."

WITH SUCH sayings Kemal Ataturk set out to build up the morale of the povety-stricken nation which emerged from the ravages of the First World War, Allied occupation and Greek invasion.

Today, as Turkey enters the 1980s, Ataturk's slogans are back in evidence, for the Generals invoke the man who forged modern Turkey from the wreckage of the Ottoman Empire in their effort to restore the country's unity. They too, when they seized power in September, took over a shell-shocked country, torn by violence, and racked by inflation and debt.

The West has tended to concentrate on the strategic importance of its NATO ally, while the very severity of Turkey's recent troubles has drawn attention from how far the Republic has come in its 58 years. Roads now criss-cross the rugged landmass of Anatolia. A "green revolution" is well advanced in agriculture and the country is poised to improve its position as a major food exporter.

Illiteracy, though still affecting 40 per cent of the 45m population, has been slashed. Two decades of 7 per cent annual growth in national income have seen industry grow to provide one-quarter of GNP. The energy of the Euphrates has begun to be harnessed with dams. The Bosphorus Bridge now elegantly links Europe to Asia Minor.

Despite this, Turkey is still a country of potential as much as of performance. Five years ago the Turks seemed about to enter their second manhood, the first being during the heyday of the Ottomans. Their leaders set plans for making the country the world's tenth industrial power by 1995. Grandiose schemes abounded, but a hint of the troubles to come was given when one presentation of this future had to take place by candlelight; one of the country's frequent power cuts was under way.

The years 1977 to 1980 gave a bitter harvest. Rising oil prices, stagnant exports and remittances, and appalling economic management meant Turkey could not pay its debts. Indeed, when Mr. Bulent Ecevit became Prime Minister in 1978 no one knew what the total of these debts was. The economic crisis, unemployment at 15-20 per cent of the labour force and unchecked inflation watered the roots of terrorism.

The seeds had already been planted by the extreme right, which set sect against sect and provoked racial problems, and the extreme left.

Unworthy

In 1979, 2,200 people died in political violence. By September 1980, when the military stepped in, the death rate was running at around 20 a day.

The politicians' response was unworthy. In 110 ballots they had failed to elect a new president for the country. Parliament had become a graveyard for governments' plans: 1,275 Bills were awaiting enactment.

Asked how Ataturk would have responded to this, General Kenan Evren told the Financial Times in the first full interview he has given a European paper that if Atatürk could raise his head from the mausoleum where he lies he would say "Shame on you!"

It was General Evren, the Chief of General Staff, who led Operation Flag, the military seizure of power. A mixture of paternal warmth and cool resolve, he has been able to rely on the particular place which the Turkish armed forces have in the country's life.

The 1961 military takeover ended after 18 months with a democratic constitution, elections and the services' prestige enhanced. The 1971 period of martial law was more controversial, though much was recouped — at least domestically —when the armed forces took Northern Cyprus in 1974.

It is still too early to predict the outcome of the coup with which Turkey's "reluctant generals" launched the country into the 1980s. For long, the basic dilemma of the Turkish Republic has been how to maintain the reformist momentum demanded by Ataturk in a country where the mass of the population has tended to resist change.

In the past the way forward has been the imposition of reform from above. Now, too, this is being seen in many crucial fields — the economy, tax legislation, the introduction of a much needed land reform, and the public espousal of birth control

The corollary of this is that the army is not just resolved to tidy the furniture—which, in areas such as terrorism, it has done successfully—but is rebuilding the house according to its own plans. To a far greater extent than after previous interventions it is setting its stamp on tomorrow's Turkey.

Anxious to prevent fresh trouble, it is imposing its more regimented views on the universities, labour, the political parties and election practices. There is no chance of it changing the regulations banning orthodox Marxist parties; regulations which have long caused a McCarthyist spirit to prevail and prevented the growth of a legal left capable of incorporating within the Parliamentary system many of those who have drifted to violence.

The timetable of the country's return to Parliamentary democracy is as unclear as the substance. General Evren makes no promises except that a constituent assembly — with limited powers — is to start work this autumn. He has caused one recent visitor to believe that the timing of elections will be announced this year and that these will take place in the autumn of 1982 or the spring of 1983. Many, however, believe that a longer "holiday" is likely.

In any case the present plan is that all members of the last Parliament will be excluded both from the constituent assembly and the first Parliament to be formed.

Two factors pushing the Generals in the direction of a more extended stay in power are the long-term nature of many of the problems they are tackling and the three-four years needed to see through the country's economic recovery programme.

The problem it has faced are those of a society in transition. Barter has given way to the market economy. There has been breakdown of traditional rural values as communications have spread and a massive drift towards the country's sprawling cities has taken place. The industrial revolution, as so often, has been a painful process.

The economic recovery programme predates the Generals. Designed to reverse two decades of protectionism and growing isolation from international market forces, it was launched in January 1980. Its architect was Mr. Turgut Ozal, an articulate and impressive figure whose background combines years in public service with periods at the World Bank and in top positions in Turkish industry.

At the time of the coup there was some debate about whether to continue his opening to the West. Even now there is some rumbling from colonels that his policies are those favoured by the holding companies, such as Koc and Sabanci, which have grown to dominate Turkish industry and that smaller industry and the workers are losing out. But the Generals have made their choice and given Mr. Ozal their backing.

His policies require courage. They involve a major austerity programme as well as changing the course of Turkey's development. More emphasis is being given to agriculture, bureaucratic controls are being reduced, the doors being opened to Western capital and — though, perhaps understandably, still to happen — the economy will be opened to Western competition.

The aim is to increase efficiency and, to enable the country to stand on its own feet. It is of course a difficult time in the world economy; but results are already being seen. Workers' remittances and exports — particularly to the Middle East — are up. Inflation is down: in the year to March it was 40 per cent, a third of the previous year's figure. But unemployment and the low level of industrial production remain problems, even if their extent is slightly concealed by the lack of statistics.

Concern

In Turkey, the Generals retain much of the goodwill which greeted them, but none the less, there are four serious areas of concern. The first is over the nature of the democracy which will emerge, as well as its timing. The second is over the Generals' willingness to accept criticism, in particular from the Press.

There is no direct censorship, but the tough sanctions awaiting those who step beyond an

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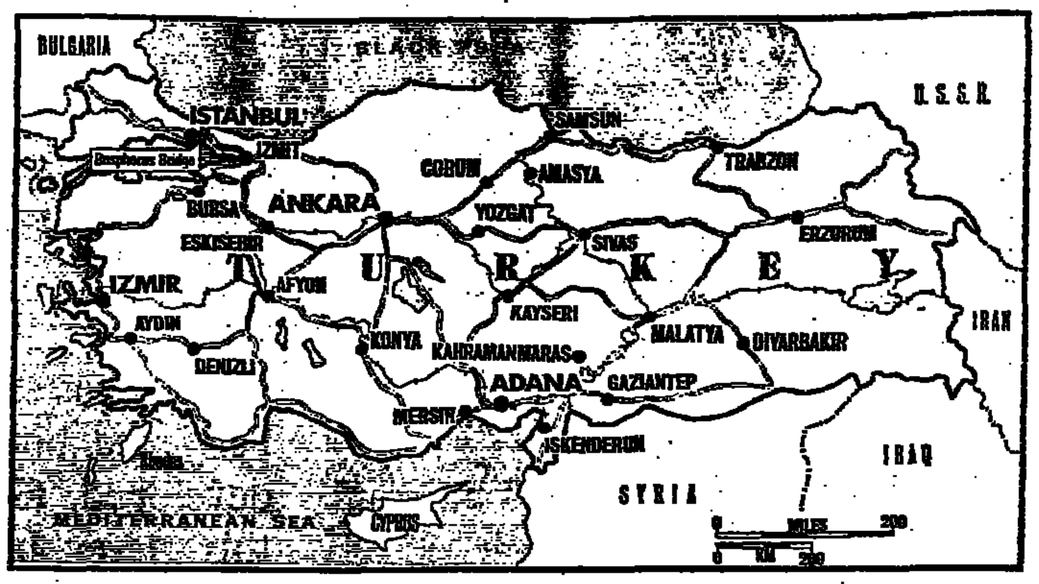
Pivotal position 'like living in a wind tunnel'

FOREIGN POLICY

DAVID TONGE



UNUSUALLY, Ankara today exudes the sense of the capital of a country under siege. The Generals argue that their country's pivotal position beside the Middle East makes it peculiarly exposed: "Living in Turkey is like living in a wind tunnel," says Admiral Isik Biren, the forceful and articulate Co-ordinator of the National Security Council.

The Generals' anxieties mean some of the old taboos are crumbling. For a long time, no official would dare talk of the problems caused by unrest among the country's 6-8m Kurds. Now the Generals themselves will raise the issue with visitors. And the same applies for the Armenians who have killed 17 of the country's representatives abroad during the past eight years.

To today's rulers of Turkey both these issues are manifestations of international terrorism which has singled out Turkey as a prime target. Their belief is that behind this terrorism can be sensed, though not seen, the hand of the Eastern bloc. This as well as developments in Afghanistan—has ended 20 years of growing relaxation with their northern neighbour. Further, it has affected relations with both France and Greece.

France has failed to act against Armenian terrorists, the Turkish Prime Minister, Admiral Bulent Ulusu has said. Greece has allowed meetings involving Kurds and Armenians. Further, others, among Turkey's allies now seem to be dusting off their battering rams. Anxieties over developments since the military seized power last September have caused bevies of West European parliamentarians and unionists to descend on Ankara where they have been received by the more strikingly urbane of Turkey's generals.

Isolated

Herr Hans-Dietrich Genscher, the West German foreign minister, has been pressing Mr. Ilter Turkmen, his Turkish counterpart, for indications of progress back to parliamentary rule. And Sir Ian Gilmour, Lord Carrington's deputy at the British Foreign Office, has been telling the generals that respecting human rights and curtailing torture will make it easier to put future aid packages together for Turkey.

Such issues have tended to blur the basic clarity of Turkish foreign policy. In the last 30 years the country has gradually left behind the "special relationship" with the U.S. which left it isolated from the Arab and Third Worlds. Years of growing detente caused it to develop its relations with Moscow at the same time as it ran into problems with Washington over Cyprus.

In 1964 President Johnson warned that Nato would not stand behind Turkey if its actions in Cyprus caused an intervention by Moscow. Then, after the Turkish occupation of Northern Cyprus in 1974, the U.S. Congress imposed an arms embargo.

The need for diplomatic support over Cyprus and, later, oil and credits caused Ankara to begin to develop a more multilateral approach to its international relations. In this, particular emphasis has been placed on the Islamic world.

This history means that, while Turkey's Generals see the world largely through the prism of the East-West conflict, they also feel some reservations in their dealings with the U.S.

For all the problems with Washington, good relations with the U.S. remain the keystone of Turkey's foreign policy. Mr. Turkmen, a respected career diplomat who became Foreign Minister after the Generals took power, last month followed the well-trodden Western route through the offices of General Alexander Haig, the U.S. Secretary of State.

He found a man who knew Turkey's concerns well. But he also returned without apparently having modified his position on two basic issues where Turkey's position might seem to be at variance with that of the U.S. The first is over its refusal to allow the U.S. to use Turkey as a staging post for operations in the Middle East.

The second issue is that of the Palestinians. Mr. Turkmen insists that Turkey's approach "is not convergent with the policies of Camp David." He also repeats Turkey's commitment to full rights for the Palestinians. Last November Turkey insisted on a sharp downgrading of diplomatic relations with Israel.

Any problems this causes for NATO are only minor. On the contrary, Mr. Turkmen argues that the West has understood that Turkey is uniquely placed to play a useful role in the Middle East. It is the only NATO member in the Islamic Conference and its access to the area was underlined when the Turkish Prime Minister was among those involved in the Islamic peace mission between its two warring neighbours, Iraq and Iran.

These policies may be little changed, but considerable movement has been evident in relations with Greece. Since the coup Turkey has lifted its objections to Greek reintegration into the military wing of NATO, the airspace over the Aegean has been reopened to civilian flights, and a number of other small agreements reached on air matters.

Disputes still remain on the airspace claimed by Greece—10 miles beyond its territory whereas territorial waters are set at six miles—and about the delimitation of the continental shelf between the two countries. Talks two months ago in Ankara between the Secretaries-General of the Turkish and Greek Foreign Ministries, Mr. Kamuran Gurun and Mr. Stavros Roussos, seemed to make good progress.

The Turkish hope was that the next step would be resuscitation of the two countries' cultural committee, followed by exchanges of journalists, scientists and archaeologists and establishment of chairs of Turkish literature and history in Greece and vice versa. But hopes of progress seemed to receive something of a blow when Greece appeared to condone meetings of Armenians in Athens—even if it is argued by Athens that it could not have prevented them. Further, there were Turkish military flights in the Aegean which annoyed the Greeks. So now one appears back close to the beginning, with the fresh uncertainties of Greek elections coming up.

Cyprus too has yet to show any of the progress which it had been hoped the Generals would breathe into the intercommunal talks. There are suggestions that, once the communities' elections are out of the way in June, Ankara might finally respond to the urgings by countries, such as Britain and France, to set out just how much territory it wants. But confirmation of this has yet to materialise.

Impatience

If these areas show some uncertainty, it is relations with Turkey's allies which cause flickers of impatience in Ankara. Turkey argues that it has shown its commitment to the West in the economic programme it is carrying through and in its decision to take the steps necessary to prepare for applying for EEC membership: at present it is an associate member of the EEC.

Then there is the question of Western concern over Turkey's return to democracy. Mr. Turkmen says that Turkey welcomes "a healthy interest in parliamentary democracy." Like other Turkish officials he attaches particular importance to Turkey's membership of deliberative bodies such as the Council of Europe as underlining Turkey's commitment to the West and to democracy.

The intensity with which this argument is put forward in some circles might surprise those Westerners who tend to pay only limited heed to the Council of Europe or the European Parliament—which, in a thinly-attended vote, recently gave the Turks two months to return to democracy. But it is a matter of intense pride to the Turks that they should not be rejected by those to whose way of life they aspire. It is that which means Turkey's diplomatic difficulties in the 1980s are likely to begin with its allies rather than its enemies. For, as memory of last year's terrorism progressively fades, so will the pressure rise for Turkey to adopt those parts of the Western system which the Generals have at present suspended.

Entering the 80s

CONTINUED FROM PREVIOUS PAGE

unmarked line cause some journalists to argue that censorship would be preferable to the present situation of telephoned warnings and occasional bans on circulation or printing.

The third is in the field of labour rights. Here, the Generals have abolished the right to strike, stopped collective bargaining, stifled trade union activity and imprisoned the leaders of the most active trades union movement, the Left-wing DISK.

Many of these leaders complain of being tortured — the fourth of the main problem areas. Certainly the extent of terrorism means that firm measures were to be expected and indeed the prosecutors have asked for no less than 850 death penalties: one-quarter of these are for the heads of the neo-fascist Nationalist Action Party and its murderous offshoots. But the amount of torture now going on is hard to justify, particularly as many of those who describe being subjected to beatings or electroshock are released without charges being laid.

The Generals are understandably sensitive about the issue and insist that all torture accusations are investigated. However, already over 20 people are known to have died in custody since the coup. Talks with relatives, lawyers and those released confirm the picture painted in the numerous documents now circulating abroad—that torture is virtually a routine administrative practice. The authorities may hold people for up to 90 days without allowing anyone access to them.

Faith lost

One problem for the Generals is that the experience of recent years has caused them to lose much of their faith in other groups' abilities to solve the country's difficulties.

But a problem for the West is that the question of the nature of the regime cannot be put to one side: Turkey is too close. It sees its future as being with West Europe and is preparing to court a coy and slightly frightened EEC. It is a member of NATO and it remains dependent on Western aid.

On May 7, members of the Organisation for Economic Co-operation and Development pledged $940m to Turkey. The World Bank's programme includes a $300m structural adjustment loan. The International Monetary Fund has made Turkey a test case for its policies of increased lending. Western banks are involved in the exercise of rescheduling $3.2bn of Turkish debt.

For the moment Turkey has not faced serious problems in West Europe, but the groundswell is beginning to pluck at its feet. In the country itself the main politicians — those from most smaller parties are either under trial or "fugitives" —are beginning to stir.

Mr. Suleyman Demirel, the conservative Prime Minister toppled by the Generals, keeps his anger to himself, though does little to disguise his feelings from visitors to the file-filled "salon" where he receives his party faithful.

Mr. Ecevit is becoming increasingly outspoken in his magazine, Arayis. In an interview last month he told the Financial Times that his anxieties about the shape of the regime to emerge were growing and called on those who did not want "a deceptive limited democracy" to speak out.

That both men share the responsibility for some of the problems which have plagued Turkey is undeniable. But both were elected politicians with a mass following. One crucial issue for the 1980s is whether power will go back to such men or whether the Republic will return to perhaps its oldest tradition, that of insisting that the nature of the regime be imposed from on top instead of evolving from below.

David Tonge

Developments dampen calls for closer ties

RUSSIA

METIN MUNIR

THE FIRE has gone out of the Turkish-Soviet rapprochement, which began in 1967 and blossomed for a decade, even though trade and industry delegations continue to be regularly exchanged.

At least two developments have dampened Ankara's enthusiasm for closer ties with its neighbours. The Soviet invasion of Afghanistan reminded Turkey of its 460 km border with Russia, and the political terror which flourished before the coup has caused questions to be asked. The Generals believe the terror was at least in part instigated by Moscow.

Turkey, particularly under right wing governments, was never entirely happy with East-West detente and the resulting flexible response strategy, which it considered a careless letting down of NATO's guard and represented a danger for it on NATO's flank.

Top level visitors were exchanged and quickly the Soviet Union became one of the biggest suppliers of project credit to Turkey. The steel complex in Iskenderun, on the Mediterranean whose annual capacity is being doubled to 2m tonnes, remains one of the biggest single projects the Soviets have financed outside their bloc. Turkey has received around $1bn in Soviet aid in the past two decades.

The right wing Suleyman Demirel was secretly pleased about the Soviet invasion of Afghanistan because it changed NATO's attitude to the Soviet Union. In June last year Mr. Demirel, then Prime Minister, told the NATO Ministerial Council in Ankara—in his inaugural address — that "detente must be indivisible." There could be no meaningful detente in one area of the world (Europe) while aggression was taking place in another (Afghanistan).

Several days later a senior Demirel Cabinet minister told a Western correspondent that the Soviet Union was involved directly in the political violence in Turkey.

The view of the current leadership on both matters is similar. In fact one of the top generals in the regime has gone so far as to suggest that terror in Turkey was manufactured by the Soviet Union as part of a general plan to bring the Middle East and the Gulf under their control.

The views of the military Government on the proposed rapid deployment force have neither been made public nor are they clear. However, the foreign ministry makes it clear the Turks are reluctant to act as the West's stalking horse in the Middle East. But they undoubtedly feel they have a role to play in the area.

The main concern of the leadership seems to be to resolve the many problems with the West that have accumulated over the years, and emphasise Turkey's NATO role. For at least the duration of their rule Turkey's attitude towards the Soviet Union will be cool, correct, firm and unprovocative.

In the first full interview he has given to a European newspaper, the Head of State, General Kenan Evran, tells David Tonge his plans for the future of Turkey.

A return to Ataturk's principles

Q—General, how far has the military achieved its aims?

A—You will have seen how calm the country is. We have been 80-90 per cent successful in fighting terrorism and anarchy and have established law and order in 80-90 per cent of the country. Secondly, we have re-established State authority. This had ceased to exist but now every citizen attached to his country respects the laws. Before the general understanding was "why pass laws? No one abides by them." Thirdly, social peace has been largely restored and the unity and togetherness of the Turkish people revitalised. Fourthly, we have returned the country to the principles of Ataturk. Politicians had begun to deviate from these or to seek to make people forget them. We were very lucky that 1981 was the centenary of Ataturk's birth. It was a great advantage to us. Finally, we wanted to rectify the economic situation. It was heading in a very dangerous direction. A family's finances cannot be repaired overnight, and far more problems exist when a nation is concerned, particularly given the problems in the world. But we hope that in three to four years our problems will be overcome.

Q—Are you determined to continue opening the Turkish economy to the West?

A—That is the road we are working on. Within the context of our laws, our doors are wide open to Western capital. Ataturk said in the Izmir congress in 1923 that he was not against Western capital. We are not against it. But we are against exploitation.

Q—When was the military takeover planned?

A—Of course military operations are usually planned early on, but this was not the case with the movement of September 12. On December 27, 1979, through the then President, we warned the politicians of the problems of the country. We waited nine more months and then no other solution remained.

Q. Did contingency plans for a coup exist when the letter was presented?

A. We had not then planned to take power. We gave the letter with good intentions but we saw no results. So we discussed the matter and saw there was no alternative if we were to avoid civil war. That would have had serious consequences for the West and for world peace. Today we understand how right we were.

Q. But could you not have given the politicians one last warning that they should co-operate to overcome the problems of the country?

A. It was not my duty to call them in.

Q. But you considered it your duty to seize power?

A. Two to three months after our letter of December 1979 I told a Turkish journalist that we would not present another letter. That was printed but the politicians did not attach importance to it.

Q. What remains to be done in the fight against terrorism?

A. We need to eradicate the remnants of terrorism. Then we need to make useful citizens of those who enter prison. As in many countries, in Turkey terrorism derives from Communist and separatist circles on the extreme left as well as at its nemesis, the extreme right, religious and nationalist. You cannot isolate these currents from international terrorism. The so-called Armenian and Kurdish problems are used by international Communism as artificial subjects exploited by these circles against Turkey. In Turkey, neither qualitatively nor quantitatively is there an Armenian question. The Armenians living outside Turkey have been puppets in international terrorism. As for the Kurds, at no time has there been discrimination between Kurds and Turks. They are a branch of the Turkic tribes who came from Central Asia. They have been judges, governors, officers, deputies and Ministers. But foreigners have instigated them from time to time to revolt against the State. They have been used against us as the language issue has been used to divide Belgium and as there are problems in France over Corsica, and in Ireland.

> **'We need to eradicate the remnants of terrorism. Then we need to make useful citizens of those who enter prison.'**

Q—What are you doing to eradicate the social problems one sees in the south-eastern Kurdish-populated areas where whole villages come under one feudal chief?

A—I do not know of any country which is evenly developed and certainly the south-east of Turkey has lagged behind the rest of this country, because of climate and geography. Many villages are in the mountains or remote peaks. It has not always been possible to bring them services such as roads, water and electricity. We are making land reform a priority. A law was passed after the military intervention 10 years ago, but it was not implemented.

Q—General, in your recent speeches you have concentrated on the dangers to Turkey from the left. What about the widespread violence and killings by the extreme right before the coup?

A—We are as strongly against the extreme right as the extreme left. Various trials of the right have now begun. We do not put pressure on the courts. Two months ago I called in the prosecutor investigating the extreme right. He estimated he needed two months to prepare the case. But because more people and organisations from the left were involved in terror, the impression has arisen that we are only against the left.

Q—Martial law was in force before the coup. Why could the Generals not then be more effective against terrorism?

A—Martial law only applied in 20 of Turkey's 67 provinces, meaning that terrorists could escape from the martial law areas. The authority of the State had disappeared. There was much interference with the police and police would warn groups which were to be raided. And we have strengthened the laws. Before September 12, police could not use their arms without the risk of arrest. We have given police the right to shoot when attacked, meaning that some terrorists are taken dead or wounded.

Q—Do you have evidence of other governments' involvement in the international terrorism you have attacked?

A—No clear evidence as yet. I cannot say which countries are behind the extreme left and extreme right.

Q—Are you satisfied with the help you are receiving from your allies in fighting international terrorism?

A—The fight is moving slowly. Around 300,000 weapons have been given in to the authorities or seized. We have sent a list of many of them to our allies. Most come from Eastern Europe, but many from the West. If our friends do not co-operate against terrorism but instead engage in untimely topics or ask when the parliamentary system will be restored, I am afraid the time will come when they will have to face international terrorism themselves.

> **'We want to take all the measures necessary so that further military intervention will not be needed.'**

Q—But Europeans are sensitive about torture and my own inquiries with lawyers and relatives convince me that torture is far more widespread in Turkey today than many of your colleagues accept.

A—Under our laws, torture is a crime and heavy punishments are prescribed. In the case of one person who died the prosecutor has asked for 20 years prison for the soldier accused. Sixteen or 17 such trials are under way. But any such deeds are perpetrated without the knowledge of my administration.

Q—Why do you not issue a formal order banning torture?

A—We have put out the necessary order. But many of the claims are by those who are against the administration.

Q—After complaints against an orphanage, you visited it. Given the number of complaints about torture in, say, the basement of the Ankara security headquarters, why do you not visit that?

A—I have not heard of such complaints and therefore have not gone. The security forces do occasionally see red. This does not just happen in our country. Before September 12 if a right government was in power the left complained of torture and if a left government the right complained. There were newspaper pictures of people whose eyes had been gouged out by torturers, of ears and other parts of the body cut off. Why did the various European parliamentarians not come then? Why do they only ask now?

Q—General, how do you react to some Europeans' concern at the revival of the practice of execution?

A—If a man kills 10 people and I cannot execute him, what can I do? I find it hard to rationalise this, that someone can have the right to kill others and no one has the right to execute him. The question of capital punishment is one for each country to decide given its conditions. No one has the right to interfere.

Q.—What is your programme for the future?

A.—We must overcome the bad working of the State machinery and reform laws going back 30-40 years. We want to carry through the tax reform which we have started and which parliaments in 20 years had been unable to achieve. We are preparing a new university law, a new law to cover the 46,000 associations which were in operation bnt sometimes had become training centres for anarchists, and a land reform. Then there is the constitution. This was one of the most disturbing problems. There were weaknesses in it which helped terrorists. New party laws and election laws are necessary. We want to take all the measures necessary so that a further military intervention will not be needed.

Q.—What type of constitution do you plan?

A.—The President's responsibilities will be increased but I cannot say more. That will be up to the constituent assembly due to be convened some time between August 30 and October 29.

Q.—How will this be selected?

A—Members will be chosen from Turkey's 67 provinces. There will then be a number appointed by the National Security Council. This will have a quota to ensure that all professions will be represented. In total it will have 100-150 members. Any civil servants who take part will have to resign from their jobs.

Q.—How will the provincial delegates be chosen?

A.—A law on this is being prepared. The constituent assembly's draft constitution will be passed to the National Security Council. This will work as an Upper House and in that capacity make any amendment it considers necessary and then submit the new constitution to referendum. It will not go back to the assembly after amendment. We wish to save time.

Q—You consider that the constitution prepared after the 1960 coup did not work, while the martial law period after the commanders' ultimatum in 1971 ended in some ambiguity. Why do you think this third intervention will work?

A—We have a saying that you catch the grasshopper at the third try. Those coming in the future have the experience of the past. It took democracy a long time to evolve in the West. Here it is only 60 years since we were ruled by a Sultan. We have come a long way in that time. We believe we will be successful.

Q—Why do you plan to exclude former politicians from the constituent assembly and the next parliament?

A—It would not be appropriate for the politicians who brought Turkey to the state reached last September to take part in the constituent assembly or in the parliament which will follow. It would not be the will of the people either.

Q—But will it not deprive the future regime of some legitimacy if you exclude former politicians?

A—If a man enters parliament he is not given a life-term contract. Even in the existing laws there are preconditions for those who wish to enter parliament.

Q—Will you exclude all politicians and not just former leaders such as Mr. Demirel and Mr. Ecevit?

A—I am not a judge to categorise politicians. There were some very good ones. But even the good ones did not resign when they saw the state which parliament reached. So it is better to exclude all of them from the first parliament. What will happen after the first parliament no one can tell.

Q—When do you plan to allow the restoration of parliamentary rule?

A—It is not appropriate to give a time at this point.

Q—The procedures you set out would seem to require a minimum of two years. Can you say that you will have completed these procedures in less than five years?

A—I cannot give any time.

Q—What do you look for from Europe?

A—We have given our word to return to democracy. We look for the same trust and faith from abroad as we have from our own people. If our friends in Europe help, then the process of return to democracy will be quicker. But if they put obstacles in the way of every step we make this will not give good results. You saw that the U.S. arms embargo following our intervention in Cyprus had the contrary effect to the one desired.

Q—Will you run for President?

A—It is too early to say. I will do whatever the nation wants.

General Evren in his office at General Staff Headquarters in Ankara

'His name will live for ever'

WHEN THE Generals took power last September they did so invoking the name and principles of Kemal Ataturk. Today they are celebrating the centenary of his birth with a fanfare, ensuring that each night the television talks of his life, and spreading his statue and sayings through the land.

General Mustafa Kemal—he took the name "Ataturk," father of the Turks late in life—has a dual importance. What he did was to lead Turkey through the dark days of its independence struggle and launch a traditional society in the direction of modernisation and reform. What he symbolises is legitimacy in a country which, in the 1920s, disestablished the Koran and cast off its Ottoman history.

In 1937, the year before Ataturk's death, his right-hand man, Ismet Inonu, told the Financial Times that for Ataturk "force and strategy must always be subordinate to the influence of higher aspirations and ideals."

Today, General Kenan Evren, head of the Turkish State, stresses the continuingly practical nature of Ataturk's six principles—republicanism; nationalism; a popularism which saw the people as a unity; a "soft" etatism which means the state should do what the private sector cannot; secularism; and reformism.

As General Evren says: "He is the distinguished son of mankind, the national hero, and a great statesman who has given a new direction to the course of Turkish and world history through the political, social cultural reforms he has accomplished.

By making fresh contributions to his achievements and by furthering his principles to their objectives, this noble and heroic nation, given a new life by him, with its hearts burning with love and deep gratitude, will make him live for ever."

U.S. arms embargo leaves scars

DEFENCE

DAVID TONGE

A BOOKLET put out by the Turkish armed forces shows a picture of a crew-cut recruit stolidly breaking a roof tile with his head. The page is captioned Sports Activities.

The toughness of Turkish soldiers is legendary, and it is a quality on which Nato has come increasingly to depend. Much of the weaponry with which the Turks are expected to fight is out of date or deteriorating. In 1978, when General Alexander Haig, the U.S. Secretary of State, was Supreme Allied Commander in Europe, he said the Turkish armed forces had lost half their effectiveness.

His remarks were directed against the U.S. arms embargo on Turkey, imposed by Congress because of the Turkish landing on Cyprus and applied from February 5, 1975 to September 4, 1978.

The embargo was never totally enforced but it led to a dramatic slump in Turkey's weapons imports. It exacerbated the problems the country would, in any case, have faced as the U.S. obliged the country to move from arms transfers under U.S. military aid programmes to arms purchases. As a result, even before the onset of the economic crisis, Ankara's arms imports had dropped from 23-30 per cent of total Turkish imports during 1967-74 to about 6 per cent of total imports during 1974-76 and as low as 2 per cent of imports in 1977. The U.S. magazine—Armed Forces Journal International—estimates that, by the late 1970s, Turkey was importing less than one-third of its minimal arms needs.

Now some U.S studies indicate that Turkey needs to spend a staggering $15bn in a single purchase to enable its forces to face the Soviets in direct combat. Such estimates assume a conventional confrontation between the two countries whereas men like General Philip Kaplan, the senior U.S. officer in the NATO headquarters in Izmir, argue that the Turks would fight more of a guerrilla war against any Soviet invasion.

But compromise U.S. and Turkish estimates show that Turkey needs annual military aid of $1bn simply to stop its state of preparedness from getting worse.

Such figures have to be seen against Turkey's present defence spending of $2.8bn a year on its 540,000 forces. That palls beside, say, the $20bn spent by Britain on armed forces three fifths the size of Turkey's. But, nonetheless, Turkey's spending represents one of the highest proportions of GNP in NATO

Abroad, all Turkey's allies agree on the country's increased significance following developments in south west Asia, but total aid is only around $400m annually. Of this $250m is being extended by the U.S. and is being largely used for upgrading the engines and sighting equipment on some of Turkey's 2,600 M-47 and M-48 tanks; these date back to the 1950s.

West Germany's contribution is running at an annual rate of around $100m, largely going towards purchases of Leopard 1 tanks, Milan anti-tank missiles and upgrading M-48s. Belgium, the Netherlands, Norway and West Germany are transferring to Turkey their old F-104 Starfighters.

"I think we are on the way to arresting the decline," one Western defence official in Ankara comments, but he warns that in the next five years 60 per cent of Turkey's defence equipment will become unsupportable as the West will stop producing spare parts.

But at least in this field the often controversial policy of import substitution appears to be paying off. Even before the Cyprus arms embargo, the Turkish armed forces had decided that they would have to boost their domestic war industry.

Exports

Now factories such as the MKEK works at Kirikkals are producing a range of weapons and ammunition, including howitzers, mortars and missiles, some of them exported.

The country produces landing craft, patrol boats and submarines. An electronics factory is now in operation, and an aircraft industry is under study. The net result is that, however inelegant, Turkey's weaponry still provides a rough and ready deterrent.

For NATO Turkey's strategic importance has changed over the years. In the 1950s it was a valuable site for missiles aimed at the Soviet Union. More recently U.S. bases in Turkey have been an important source of information on Soviet missile launches and on military and economic developments across the Black Sea. To some extent advances in technology have meant that satellites can take on part of this role.

But two contributions which the country makes which have not changed are that Turkey holds down some 15-20 Soviet divisions and that it sits across the Soviet Union's sea routes to the Mediterranean and its land and air routes to the Middle East.

However obvious that last point, what is not clear is the extent to which the Alliance would help Turkey if it ever needed to stand up to the Soviet Union.

Nato's doctrine of flexible response has been interpreted by the Turks as meaning that the alliance might not necessarily respond fully to an attack on its wings. Nato officials are somewhat evasive on the subject of what reinforcements would be available if Turkey were attacked.

Equally, Turkey's concern for "resource security" — sure access to oil — pulls it in a slightly different direction from the rest of the alliance. Many Turkish officials insist that their country's position requires them to treat with the Arab countries and the Palestinians in a more subtle way than that advocated in Washington and Brussels.

But it would be unwise to exaggerate such divisions. The generals are strong supporters of NATO. They may be far more worried about the dangers of subversion than they are about the threat of invasion but their perceptions are that the hand of the Eastern bloc lies behind much of the recent terrorism. Certainly such factors as U.S. refusal to back Turkey over Cyprus, in the 1960s, and the arms embargo in the 1970s have caused the country to become a less pliable pact member of the alliance.

In a way which Ataturk would have supported, Turkey has begun to walk more its own course. Yet it was always questionable whether this represented a drift towards neutralism. No such drift is discernible today.

* *Turkey's Security Policies, by Mrs. Duygu Bazoglu Sezer, The International Institute of Strategic Studies, London £2.*

Generals wipe the slate clean

THE EEC

METIN MUNIR

IN TURKEY'S relations with the Common Market, the moving hand wrote but, having writ, did not move on. It was lured back again and again to cancel half a line here, wash out a word there until, when the generals seized power last September, they found what looked like a blackboard in a primary school classroom at the end of a hectic day.

Turkey became an associate member of the EEC in 1963, two years after neighbouring Greece took the plunge.

Under the initial timetable, Ankara was to have become a full member after going through a five-year preparatory period and a 25-year transition period. The preparatory period lasted twice as long as planned and problems cropped up during the transition period almost as soon as it started in 1973.

In 1976, the Government in Ankara formally proposed that the rules governing the transition period be changed in Turkey's favour. Two years later the Ecevit Government imposed a five-year freeze on Turkish-EEC relations. In 1980 the Demirel Government suspended the freeze and announced that Turkey would put in an application for membership before the end of that year.

Before the year ended, however, the army seized power and, as in many other fields, the Generals decided to wipe the slate clean and make the country's mind up for it.

After two sessions with bureaucrats. General Evren and his colleagues decided that Turkey must take all economic, technical and social measures necessary to apply for full membership after civilian rule was restored (possibly in 1983). This was in keeping with the country's Westward orientation initiated more than 50 years ago by Mustafa Kemal Ataturk.

Greece's accession in July must have sharpened Turkey's keenness for Community membership. "We have no other alternative," said a senior Turkish diplomat. "Turkey's most meaningful association in the West is with the EEC. As the Community expands, so do our problems. The only course of action is to get in. Our relationship can survive inside, not outside. Being in NATO, the Council of Europe and the OECD and out of the EEC does not make sense."

The Generals' decision has received full support from the business community in Istanbul.

EEC directorates are in the process of being set up in seven ministries, to supplement those in the Foreign Ministry and the Ministry of Trade. A new unit will be formed in the Prime Minister's office to co-ordinate them.

As a first step, the Government is planning to implement its obligations to the Community which it stopped undertaking according to timetable in 1976. Tariff barriers are expected to be reduced as planned. Furthermore, age-long Turkish grievances towards the Community—like expatriate workers' movements and farm product exports in which the country has justifiable arguments—are likely to be dropped for the sake of improving the atmosphere.

The overall idea seems to be that Turkey should complete its transition period inside the Community as a full member.

Regime fears a hostile campaign

EUROPEAN RELATIONS

JOHN WYLES

UNTIL NOW, last year's military coup had raised only a ripple on the surface of Turkey's relations with most Western European governments. But the question which is now obviously beginning to concern Ankara is whether Europe's pragmatic and somewhat world weary response, to the coup may soon give way to a more active and abrasive campaign for the restoration of democracy in Turkey.

With hostility to the military regime clearly taking a strong hold in both the European Parliament and the Assembly of the Council of Europe, it appears that General Evren is now trying to build a diplomacy around his oft repeated commitment to hand the reins of power back to a directly elected civilian government.

Specifically, he has just launched a new initiative designed to remind the European Community that the Turkish military Government, like its civilian predecessor led by Suleyman Demirel believes that Turkey's future belongs in the EEC.

General Evren appears to want the Ten to push ahead vigorously with implementing the EEC-Turkey Association agreement on the argument that a civilian government in Turkey whenever it is elected, would then be in a better position to make a credible early application for EEC membership.

Ankara appears to be calculating that the more efficiently it meets its obligations under the agreement and encourages the Community to do likewise, the easier it will be for EEC governments to respond to any popular protests with the defence that the Community is making an important contribution to creating the best possible economic conditions for a return to democracy.

Thus on April 16, Turkey asked for the first ambassadorial level meeting of the EEC-Turkey Association Council since the association agreement was relaunched on July 1 last year. The basic aim of the agreement, which dates back to 1964, is to prepare Turkey for eventual Community membership through a process of domestic economic modernisation aided by EEC financial and technical support, the gradual elimination of tariff barriers on trade with the Community and full alignment with the Community's common external tariff.

On the Turkish side, progress on virtually all fronts had been extremely slow, but early last year Mr. Demirel's Government sought to frame a modernisation programme on the basis of a revival of the association agreement and an unwelcome warning to the EEC that an application for membership was imminent.

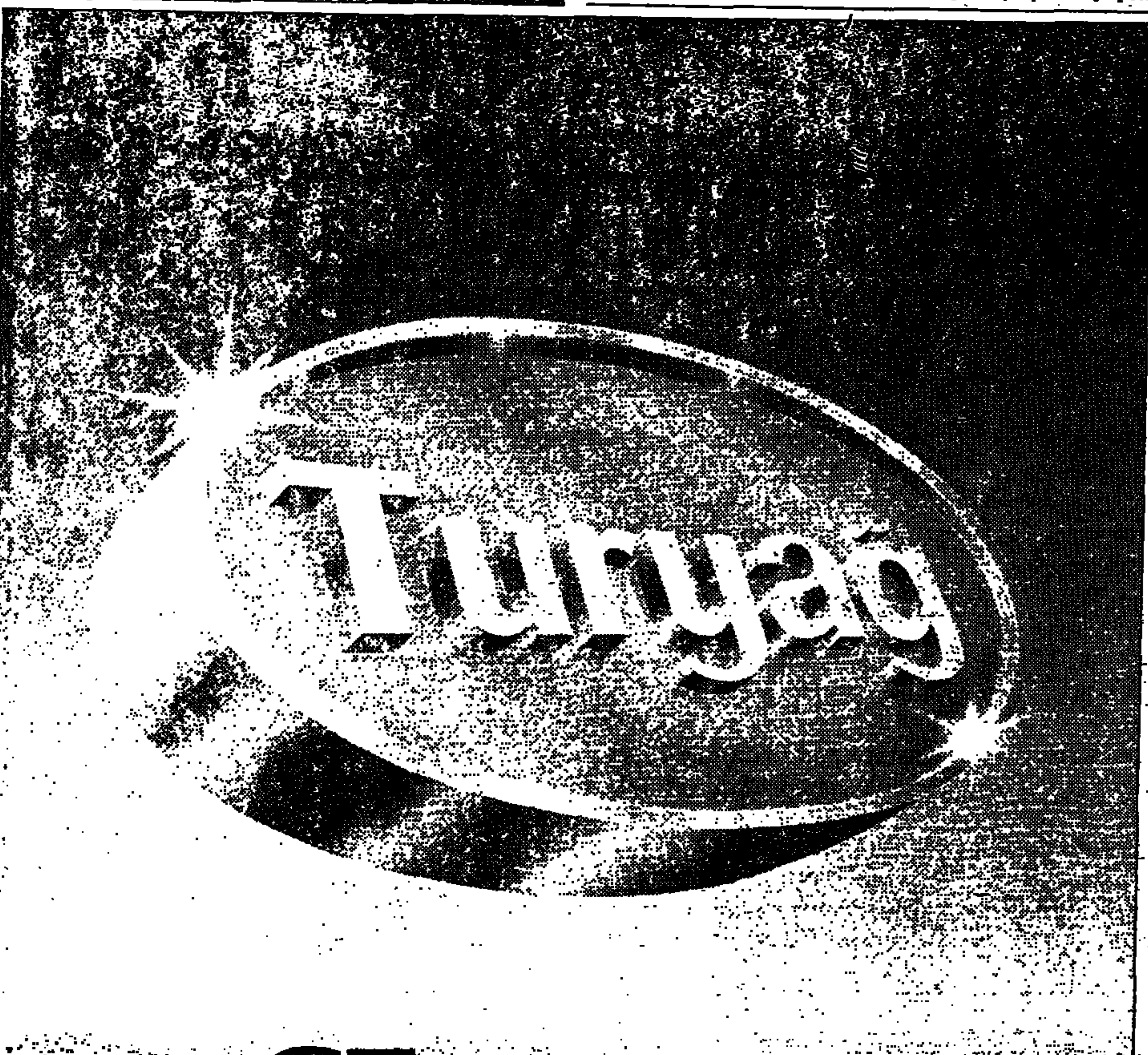
General Evren knows that his military Government could make no such application, but at the Association Council, scheduled for early next month, his Foreign Minister will urge harmonisation of various policies in preparation for membership.

The EEC governments are unlikely to withhold their agreement. None, of course, rejoiced at last year's coup, but most were beginning to despair at Turkey's economic and political situation. Since the coup, the Community has winced at each imprisonment without trial in Turkey but largely in fear of possible political reactions from within the Ten.

At least one Government, Denmark, does however, believe that more pressure needs now to be exerted. Copenhagen has been arguing that the EEC should demand a political declaration on the restoration of democracy from Turkey as the price for finalising a new financial protocol due to come into force at the end of October. Until now, this position has not won much support from other EEC members.

Elsewhere, the European TUC has led the field in cancelling delegation visits and campaigning against the trials of trade union leaders. But in April, Turkey surfaced somewhat unexpectedly at the European Parliament which passed a Socialist group resolution calling for suspension of the association agreement if Turkish democracy was not restored within two months. The Parliament will discuss the issue again in June.

European MPs were almost certainly encouraged to debate Turkey by the fear of being upstaged by the Assembly of the Council of Europe. Its President, Mr. Hans de Koster, has recently returned from a fact finding mission from Turkey. His report urged that General Evren be given a little more time. But more members of the Council than expected questioned this, a hint of the problems which could come.



Pressure for closer ties builds up

THE MIDDLE EAST

ANTHONY McDERMOTT

TURKEY HAS of late been stressing more than ever the importance of its political and economic ties with Arab countries and Iran. In terms of neighbourliness, this would seem to be both natural and sensible policy, but Turkey's position in the area has always been special.

Turks and Arabs—not least because of the Ottoman Empire which the Arabs helped to dissolve through their revolt in World War One—have always regarded each other with a measure of arrogance and contempt. Until the 1979 peace treaty between Egypt and Israel, Turkey was the only Moslem country to have full diplomatic relations with Israel.

The pressures for closer regional ties have been building up. On the political front, increasing criticism in Europe of Turkey's human rights record, especially since the generals' coup last September, has accelerated a movement already in existence for other reasons towards closer political links between Turkey and its immediate neighbours.

Economically, Turkey needs these neighbours badly as a source of oil imports, and as newly-discovered destinations for its exports.

Mediator

Apart from attracting friends to supplement ties with the West and NATO, a key motive in Turkey's search for support from Middle East countries has been to win votes, for example at the UN, to back its invasion of Cyprus in 1974, and its subsequent policies towards the island.

It has worked, too, towards this end through the Islamic Conference Organisation, at whose third summit in Taif last January Turkey was represented by its Prime Minister, Mr. Bülent Ulusu, for the first time. Symbolising Turkey's deliberate attempt to be neutral in the Iraq-Iran war, Mr. Ulusu has been a member of the Islamic Conference mission mediating between the two sides.

Relations with Israel are now almost the reverse of what they were in the early days when Turkey was one of the first states, in 1949 after the superpowers, to accord it recognition. Full diplomatic relations were established in 1952.

In general, Israel's military efficiency and its efforts to create on limited resources a modern state have been admired. Nevertheless, relations were briefly suspended after the 1967 Arab-Israeli war. The trend towards downgrading relations increased during the latter half of the 1970s.

Last November they were reduced to a minimal level (which came into effect from March this year) largely as a protest against Israel legislating that Jerusalem as a whole, including the Arab sector captured in 1967, would be the State's united capital. In August 1979, Turkey had become the first NATO country to have full diplomatic relations with the Palestine Liberation Organisation (PLO).

Whether these moves have been fully reflected in Arab support over Cyprus is questionable. The Greek Cypriots for some time have had close relations with the PLO. Furthermore, some Arab countries find it incompatible to oppose Israel's occupation of Arab lands while backing Turkey's occupation of northern Cyprus. Consequently, support is mixed, with only Libya and Saudi Arabia as Turkey's foremost backers.

On the Camp David agreements, Turkey has approved the principle of a peace treaty, particularly as a precedent for others between Israel and other Arab countries.

While the direction of Turkey's political relations in the area have been more or less of its choosing, the drive towards closer economic links has been forced upon it.

The first reason is oil. Turkey's domestic oil resources are capable of providing currently only 16 per cent of its needs, and imports in 1980 cost $3.2bn compared with total exports of $2.2bn. For this it has concluded import agreements totalling 15.65m tonnes, distributed as follows (compared with 1980): Iraq 8.5m tonnes (5m tonnes); Iran 3m tonnes (3.4m tonnes); Libya 2m tonnes (2m tonnes); Saudi Arabia 1m tonnes (—); the Soviet Union via Iraq 0.9m tonnes (1.3m tonnes) and the United Arab Emirates 0.25m tonnes (0.35m tonnes).

The second has been the spectacular performance of Turkish contractors—more than 50 companies are at present involved. This sector is dealt with in detail elsewhere in this supplement. But it is sufficient to say that in a highly competitive market the total value of contracts held by Turkish contractors, mainly in Libya, Saudi Arabia and Iraq is currently $5bn, and both Turkish bankers and companies involved are confident that this will have doubled by the end of next year.

The third sector is trade. This has expanded enormously, under the combined impact of the depressed domestic market, the difficulties of penetrating the EEC market, and the advantages of short transportation hauls in serving neighbouring countries. The Gulf War has been a godsend (explaining to some extent the Government's studied neutrality) with truck transit dues reaching about $150m this year, carrying anything from Turkish food to uniforms to both sides.

It is too soon to quantify precisely export earning from Middle East countries, except that they were in 1979 worth $400m and were about twice that last year.

Variety

The impressive feature has been the wide variety of exports, ranging from building materials (1.5m tonnes in 1981 by the State cement corporation), to paint cans for Iraq, buses to Egypt, and mutton, belts (worth $16m) and beehives to Libya.

It is not just businessmen who have changed their attitudes. Industrialists were staggered when the newly appointed ambassador to Kuwait toured private sector companies in Istanbul in January and February before taking up his post, announcing that "I am not an ambassador. I am a commercial official."

Companies are now looking outside their immediate neighbours, towards Egypt, and further down the Gulf, and even considering orders from Algeria in the Maghreb.

There is, Turkey believes, a genuine community of interests between itself and the countries of the region. Not least, it feels accepted despite its other political relationships. As Mr. Türkmen put it: "The countries in the area appreciate the importance of a strong Turkey, and at the same time, the inevitability of its NATO membership."

Shift in development route

ECONOMIC OVERVIEW

DAVID TONGE

THE 1980s have begun with a sea change in Turkish economic life. Two decades of protection, a reinforced role for the State, and autarchy are gradually being left behind. In their place is an ambitious programme to open the economy to market forces and foreign capital. Less advertised but equally crucial is a switch of policy in favour of Turkey's large agricultural sector.

Like the last major change of direction, in 1961, this experiment follows an economic crisis in Turkey. But, unlike then, it is being carried through at a difficult time for the world economy. However, change had become inevitable. Just as the political system was failing to produce effective Governments or enact legislation, so industry was cushioned from the requirements of efficiency or the country's needs. Now a tougher mood prevails and as the economy strives to adapt a radical shake out is under way.

The widespread sense of the failure of previous policies was one of the factors allowing Mr. Turgut Ozal, architect of the new programme, to launch his new approach despite his being part of a Government without a majority in Parliament. He rapidly gained the support of the country's most powerful industrialists. He now has the backing of the military—itself something of an economic force through its pension fund.

As a result he has been able to see through major changes such as a tax reform and to begin the process of shifting the economic balance in favour of the country's farmers and peasants. Municipal taxation is to be introduced. Subsidies for bread, which benefit mainly the cities, are being removed.

Mr. Ozal believes the large cities should be relatively more expensive to live in. One argument is that migration to the cities, with all the social problems this creates, must be slowed if not reversed.

But there is also the determination—shared by Government and the major industrialists—to develop the huge potential of the country's agriculture. Turkey is already a food exporter. Mr. Ozal is determined to make it doubly so.

The magnitude of the change is best understood by going back in time. When Turkey won its freedom and the modern republic was set up in 1923 the country had little industry and had lost many of those from the minorities who made up its merchant class.

Depression

Kemal Ataturk started off with policies of relative liberalism, with a relatively open approach to foreign capital, provided it came on fair terms, and espousing a minimum of government interference in the economy. But Turkey was soon to enter a depression, doing so before the world slump. The lack of interest in industry caused the state to take on an initiating role. The policy of etatism was launched.

The private sector was soon to make fortunes from dealing in the cheap products of the state economic enterprises. Those fortunes, war-time profiteering and the huge incomes made in agriculture in the years up to the Korean War boom meant that, by the early 1950s, the private sector no longer needed the assistance of the Turkish state.

At the same time the U.S. was pressing Turkey to open its economy. The 1950s, thus, saw a further period of liberalism as well as the opening of the country to foreign investment and trade.

It was the period when the aged Chevrolets which stalk the streets were brought in. But an overvalued lira, inflation, a slump in Turkey's export markets and a surge in imports soon provoked a foreign exchange crisis. And now the country set out to industralise through import substitution.

There was always the chance that this would be a success. Replacing imports is a necessary first stage in the process of building up local manufacturing capacity. But in Turkey's case it was accompanied by such strong and durable protectionism that industrialists had no incentive to be efficient, let alone to export. The way Turkey substituted for imports led to continuing dependence on foreign semi-manufactureds as well as foreign technology.

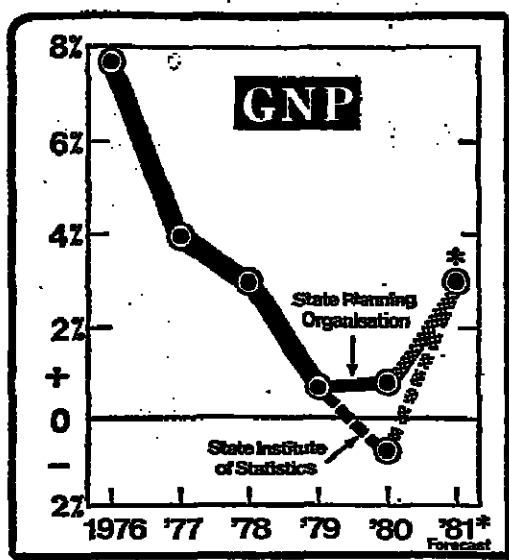
What is now under way is a major attempt to correct these weaknesses from the past 20 years, to dismantle the barriers put by the state in the way of market forces and to encourage firms to export. It is a policy welcomed by the larger industrialists. They have found their comfortable domestic market eroded by the slump and are responding most vigorously to the opportunities presented as the Government seeks to reduce the constraints on exports.

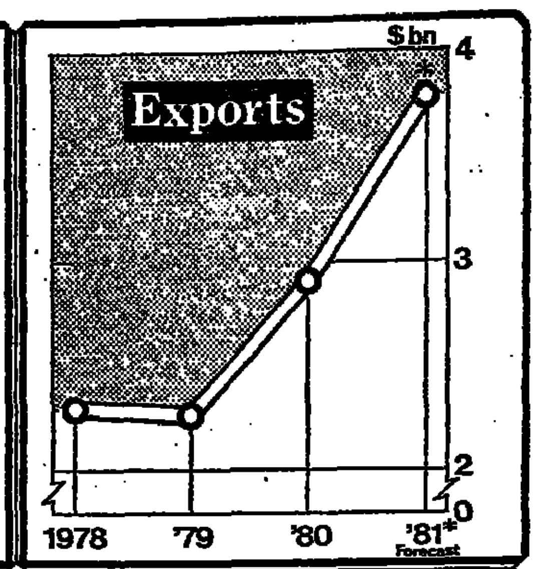
Many of the smaller firms may be more critical, but Mr. Ozal makes it clear that he has no objection to the less productive ones going under. Now the way has been opened for the import of foreign capital and technology and the hope is that later this year some major investors will appear on the scene. The way for this has been prepared without much controversy but there still remains the need for further measures to liberalise the import regime.

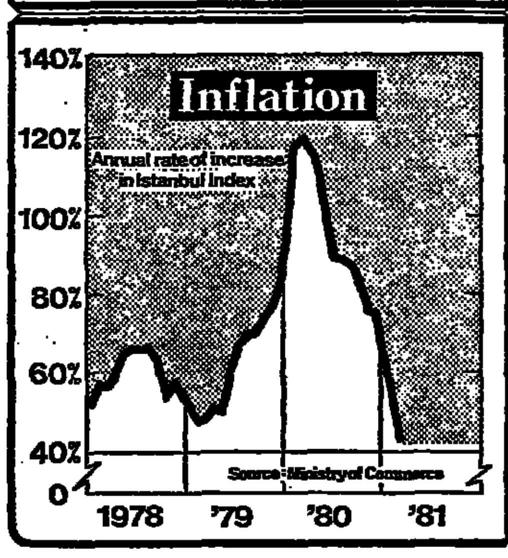
Some major steps have been taken in what was always likely to be a developing process. However, Istanbul traders say they are only a beginning and warn that the next stage could be more painful for local industry. But, from the evidence so far, that is unlikely to deter Mr. Ozal as he strives to set the locomotive of Turkey's economy driving down the mainlines of the 1980s.

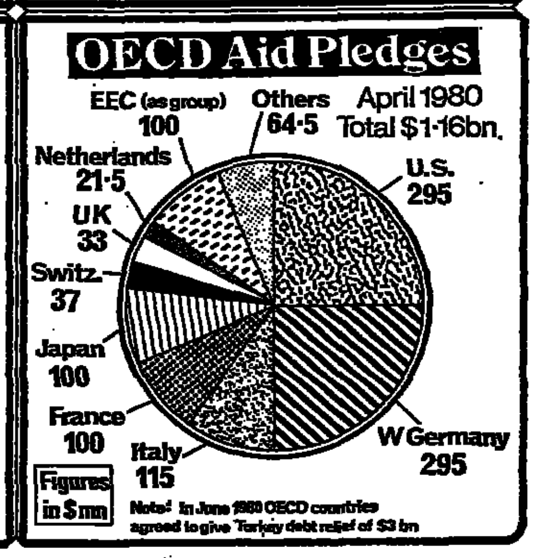
BASIC STATISTICS

Area	781,000 sq km
Population (1980)	45.2m
GDP (1980)	TL 3824bn
GDP per capita (1980)	TL 84,601
Trade (1980 estimate)	
Exports	\$2.91bn
Imports	\$7.2bn
Trade with UK (1980)	
Exports to UK	£49.2m
Imports from UK	£147.1m
Foreign exchange reserves (January 1981)	\$1.286bn
Currency:	
£=TL 213.27	
\$=TL 101.46	









Optimism the new mood

THE ECONOMY

METIN MUNIR

TURKEY HAS entered the first year of its economic recovery. Perhaps the most important development, compared to the dark days before January, 1980, when the economic austerity programme was launched, is in mood. The depression psychology and inflation expectations are quickly evaporating. Optimism prevails in both Government and business circles. There is a general feeling that things are looking up.

The military takeover of last September gave the austerity programme—now compiled in two books running over 500 pages—the stable environment without which it could not succeed.

The programme enjoys the support of General Kenan Evren, the head of state, and his colleagues. "They are more for it than we are, particularly since the positive results are becoming tangible," said a Cabinet Minister.

It seems that for as long as the army stays in power Mr. Turgut Ozal, the Deputy Prime Minister, will have freedom in managing the economy. The general consensus seems to be that the army will remain in power for at least until mid-1983.

The aim of the economic reform is to unchain the Turkish economy from detailed Government regulations and intervention and unleash market forces. It aims to solve a gamut of problems including stagnant economic growth, decreasing investment, rising unemployment, hyper-inflation, a large balance of payments deficit and an uneven and unmanageable debt burden.

Mr. Ozal's reform measures are arguably the most radical, far reaching and comprehensive in the country's history. Together they constitute one of the most important developments to have taken place since Mustafa Kemal Ataturk abolished the Ottoman state and established the republic in 1923. More importantly, there are signs that the programme, subsidised by credits from Western governments and institutions, is succeeding.

There is good reason to believe that, barring unforeseen developments, Turkey—the first country to have been pushed under by the upsurge in oil prices—may be among the first to rise.

Perhaps the most important single achievement to date is the reduction in inflation.

Inflation, as measured by the wholesale price index was about 110 per cent in 1980. The index's year-to-year increase in the first quarter of 1981 was 40 per cent. The Government's target is to keep inflation at between 35-45 per cent this year and halve this in 1982.

"We have broken the back of inflation, Mr. Ozal told businessmen recently. "However, inflation is a beast with seven lives. If we are not careful it can come alive again."

The other important development has been the increase in exports. Encouraged by results in this field the Government has revised its 1981 export target upward twice to \$3.8bn—180 exports were \$2.9bn—the general opinion is that exports will probably surpass the \$4bn mark.

Exports in the first quarter were \$1,031m—43 per cent higher than the comparative period in 1980. The export of manufactured goods rose by more than 80 per cent to surpass the \$400m mark.

Agricultural and mineral exports rose by 25 per cent each.

Another major development has been in the field of overseas construction where the undertakings of Turkish contractors are expected to more than treble to \$10bn by the end of next year.

In the last two years, the Government has won major debt relief—worth \$5,477m—from its major creditors and revised maturities to its advantage—the ratio of the short-term dropped from 46 per cent to 15 per cent. But debt service is still a heavy burden and will be \$2.4bn in 1981, excluding credits and further debt relief. A fresh rescheduling of \$3.2bn of commercial credit is now on track.

However, Western export credit largely remains suspended, in part because Ankara has slipped into partial default in this field.

Measures in other fields are also having positive effects: a tax reform package, implemented in the first quarter, is expected to reduce some of the burden on low income groups and ease the pressure on the budget; measures have been taken to reduce the borrowing requirements of the state economic enterprises (SEES) by improving their management and productivity; setting free bank interest rates has led to a sharp increase in deposits and consequently to larger resources which can be allocated to investments and export promotion and eliminating Government subsidies of most consumer items has helped cut public spending.

The Government has promised its creditors that in 1981, it will:

- Further strengthen public finances,
- Decelerate monetary expansion,
- Maintain a flexible exchange policy,
- Moderate wage increases,
- Increase domestic savings and workers' remittances,
- Concentrate public investments in areas which ease supply constraints, develop domestic energy resources and promote exports.

The target is to raise GNP growth to 3 per cent from about nil in the last two years.

The biggest single challenge now facing the Government is to revive investments.

Rise expected

The Government hopes to mobilise public savings through tax reforms—an 80 per cent increase in revenues is expected—and improved performance of the SEES and to increase private savings through the interest rate policy.

But this is easier said than done. Trying to boost investments while at the same time trying to reduce inflation is not easy. Money is tight and expensive—the cost of a short term loan is about 70 per cent.

It is unlikely that the Government will release its stranglehold on money supply until inflation climbs down from 40 to 15 per cent.

Until this happens cheap credits will be available only to exporters who can use cheap financing at under 75 per cent. While the screams of agony from manufacturers are becoming more audible the Government policy seems to be the correct one. Most companies are cutting their profit margins to increase turnover and cash flow, becoming more cost conscious, increasing their capital, floating bonds and realising that to survive they must export.

The change may be painful but will go towards alleviating what has been a critical structural deficiency. Turkey is no longer a captive sellers' paradise where a captive domestic market can be literally skinned.

TURKEY VI

Yavuz Canevi

TURKEY'S Central Bank has long been a political football, and so it was with some sense of despair that foreign bankers learnt this January that the regime had ordered its head, Mr. Ismail Hakki Aydinoglu, to resign.

If that was the bad news, the good news was that Mr. Yavuz Canevi was being brought back to the bank to become deputy governor in charge of Turkey's financial relations with the outside world.

Mr. Canevi came to foreign bankers' notice during the dark days of 1977 and 1978. It was then that the magnitude of Turkey's foreign exchange crisis burst upon the world, and Mr. Canevi had the thankless task of telling people that they would have to wait for payment. He was head of the Foreign Exchange Department of the Central Bank, but won general respect for the way he carried out his job. His reward was to be removed when the Ecevit Government puts its men into the Central Bank. He went to Istanbul and the private sector, joining the Turkiye Garanti Bankasi.

He enjoyed his time there and it was a wrench when the present Government asked him to come back here to Ankara. His wife, who has written a doctoral thesis on Aristotle, had settled in a teaching job in Istanbul. But eventually he accepted the offer.

Turkey is not yet out of the wood, but Mr. Canevi's task is relatively simple compared with what is was four years ago. Ankara is now playing according to the rules of the game.

Western bankers may not like being asked to reschedule money which they have already rolled over once, but in private, they admit that there is no alternative. Further, they trust the man who Mr. Osman Siklar, the ebullient governor of the Central Bank, describes as "my Foreign Minister."

David Tonge

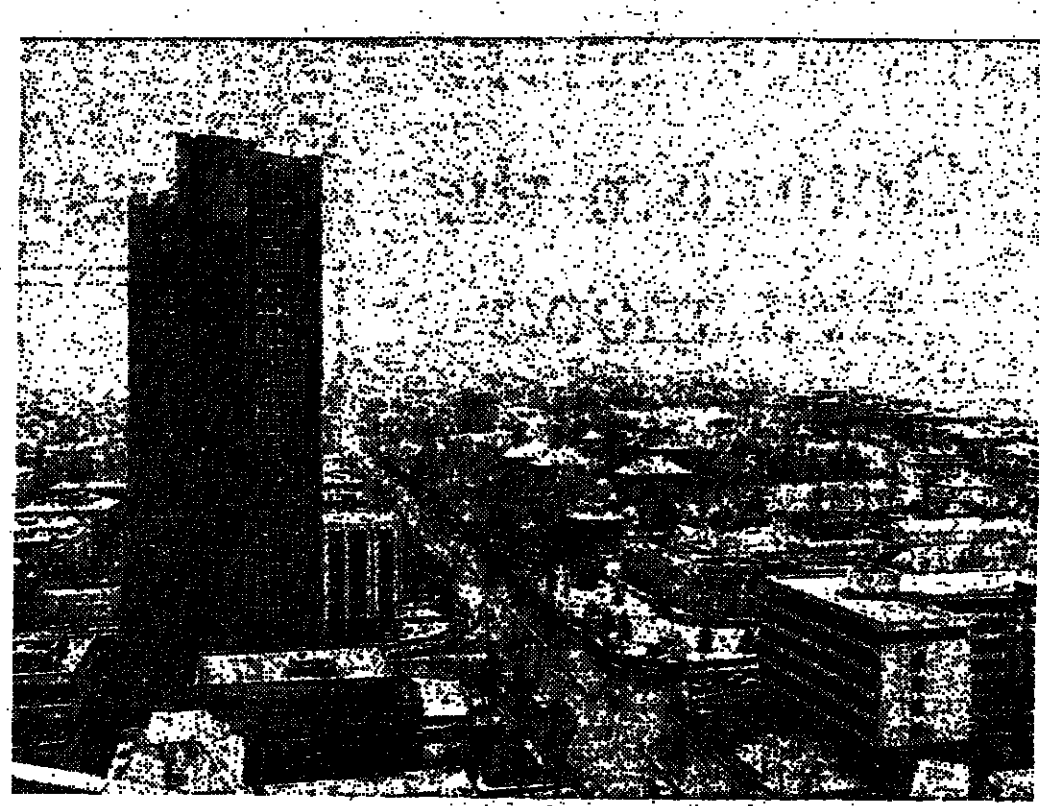
Government tries to stamp out black market deals

BANKING

CHRIS SHERWELL

A FEW months ago, when economic times were becoming harder rather than easier, a respectable professional woman in Ankara decided to sell her car, as it had become too expensive to run. In an unusual move, she decided to put only half of the TL400,000 (£1,876) proceeds with one of the local banks, where she says it now earns interest at 30 per cent net. On the advice of a friend, the *rest was lent for six months on* the black market to an electronics enterprise.

Against the TL5,000 she gets from the established bank, the woman receives TL16,000 from the black market borrower, a 96 per cent annual return. The only stipulation is that she collects her money in two tranches of TL8,000 on the third and fourth of each month, the same dates on which she originally lent her money in two blocs of TL100,000 each. The risk the woman faces is enormous—she has no guarantee that she will receive her original loans back, or that the borrowing company will even survive the six months. But so far, so good.



Terry Kirk

The Ankara headquarters of Turkiye Is Bankasi, the country's biggest commercial bank

Pay rises

The military-dominated government in Turkey is now trying to eradicate black market activities, but they became the norm in the late 1970s. Ever-rising inflation caused individuals to put their money into dubious enterprises, gold, foreign exchanges, consumer durables and real estate, rather than into the commercial banks. At the same time the banks' own costs rose substantially as their overmanned staffs won big pay rises and as expensive new security measures became necessary to resist armed robberies by terrorists funding their own nefarious activities.

Life was a far cry from the earlier post-war years, when Turkey's banking system had grown by gathering deposits from the public. With deposit and lending rates fixed by the central bank and no money market to speak of, Turkey's 24 domestic commercial banks competed through the establishment of more and more branches, by holding lotteries and offering fabulous prizes amid a suffocating welter of advertising.

Nine of these banks, owned by family industrial groups like Sabanci and Koc, even now illustrate what one international agency official calls the country's "feudal" banking system. At one time, until legislation changed things, these banks could even help buttress the family industrial conglomerates because there was no limit on lending to a group in which the bank held 25 per cent of the equity.

As long as the economy continued expanding fast and prices rose only slowly, margins on lending, even with the taxes successive governments levied, were big enough for the banks to grow. The turn-round came when inflation brought a drain of savings and higher costs, when recession resulted in a decline in quality borrowing and when a foreign exchange crisis meant more limited business opportunities.

The position then deteriorated until, by the time of the Demirel Government's stabilisation measures in January, 1980, Turkey's banking system was in dire straits. Then in June, 1980, in an historic move aimed at re-introducing the discipline of the market, the Government lifted almost all controls on both bank borrowing and lending rates. Henceforth, the banks were expected to compete with each other for deposits and credits.

No single move has gone further to re-establish financial order to Turkey's banking system, although it has not been without problems and has not prevented the banks from co-ordinating their actions in "gentlemen's agreements." In a revival of faith in the Turkish currency as well as in the Ankara Government, people have poured their savings back into the commercial banks, attracted by the high interest rates.

Reflecting this, Turkey's savings rate has climbed back above 20 per cent, having previously plunged to low single figures. The trend, moreover, is likely to continue as long as the banks continue to offer depositors returns like 42 per cent for six-month money and 50 per cent for 12 months. With the rate of inflation said to be down close to the 40 per cent mark, Turkey is now one of the few *countries in the world offering* people a real rate of return on their money.

The Government has assisted the trend by allowing banks to issue certificates of deposit and permitting individuals to put cash into the banks anonymously at similar high interest rates. This has helped channel "black" money back into the formal banking sector, another objective in the bid to bring down the rate of inflation. Now time deposits and certificates of deposit amount to nearly one-third of deposits, compared with one-fifth a year ago.

The banks themselves have not found it easy to adapt to the new system. At one point last year, as if to push them into embracing the change, the government issued six-month Treasury bills carrying an interest rate of 28 per cent. This promptly drained money from the banks, and they quickly recognised that the days of old had indeed passed. Other new forms of paper may still be issued by the Government, but this is expected to be for the more direct purpose of sound public financing than to inspire the banks.

Cartel

One immediate problem for the banks concerned the actual deposit and lending rates they should set. It did not take long for them to form an informal cartel, producing the so-called "gentlemen's agreement" on a uniform structure of interest rates. This pact was more fragile than it seemed. Smaller banks not party to it wanted some of the action and offered still higher rates. The biggest Turkish commercial bank, Turkiye Is Bankasi, saw a danger in this at a time when lending was difficult and broke out of the agreement to match the rise.

Concern grew that Turkey might repeat the Argentinian experience—banks there collapsed because the deposit rate structure rose too fast in relation to the number of quality borrowers. In a move whose effects are ironically reminiscent of the old days, the central bank called the banks in, indicated what deposit rates should be and ordered them to be followed on pain of being faced with penal rediscount rates. Central bank officials appear undisturbed by the gentlemen's agreement—as long, they say, as the banks' rates do not threaten the whole system's solvency.

At this time, in a separate but related move, the central bank also offered all banks access to rediscount facilities specifically for export-related business. This export "carrot" is a key part of the government's economic strategy to help Turkey's balance of payments. The central bank also told all banks to place 15 per cent of their lending into industrial export-related business —a figure expected to change to cover all exports—and another 20 per cent into financing manufacturing investment (10 per cent for some banks).

Also as part of the Government's effort to harness the banks to its objectives, the central bank has ordered them to offer lower rates for medium and longer term lending, areas which banks have tended to neglect in the past and which the Government would like to see encouraged.

For borrowers, of course, the new interest rate system has raised the costs of bank borrowing starkly, and brought home the determination with which the Government is pursuing its policies and its unprecedented preparedness to see companies go to the wall. While the interest rate on export credit is 27 per cent (and closer to 20 per cent under new taxation arrangements just introduced), and between 38 and 41 per cent on medium and longer term credit, in other areas borrowers now pay the banks 100 per cent for their money. Some of them, moreover, are distinctly precarious.

In all this relief has come in small doses — help in respect of credits given to small industrialists, artisans and merchants, and for industry a reduction in the bank transactions tax from 25 per cent to 15 per cent.

But if industry is suffering, so too is that sector of Turkey's peculiar banking system known as the "bankers," the informal, uncontrolled network of brokerage houses which grew up as essential financial intermediaries in the days when the interest rates of the commercial banks were still closely regulated.

These "bankers" thrived in earlier days because the conventional banks were undercapitalised and always close to their lending limits. They survived later because, with inflation and the drain of money from the banks, there was also a physical shortage of lendable funds. Turkey's fledgling capital market expanded in the late 1970s, as more private sector companies issued bonds to raise the money they needed and the public looked for better opportunities. This business went through the "bankers," who had made their fortunes by it, and through more modern brokerage firms which appeared on the scene.

Full-page newspaper advertisements placed by "bankers" like Kastelli suggest that the market remains active in the present climate. In fact, business has shown a serious decline. The major regulatory change has been a decision that bonds could only be offered for sale at a maximum of five per cent less than the nominal value. Previously bonds floated by the private sector were often sold on the secondary market at 30 per cent less. Further, the "bankers" have been brought within the ambit of the tax network.

The government has also prepared a draft law to establish and regulate a more sophisticated capital market, something previous governments have failed to do for decades despite urgings from such international agencies as the World Bank. *Few details of the new Bill are* known, but its main features are likely to include measures to enhance the reputation of those making markets, comprehensive disclosure rules and a strengthening of the accounting profession.

Upsurge

One favourable consequence of the effort to put the Turkish economy back on the rails has been an upsurge of interest from foreign backed banks. Previously only four foreign banks operated in Turkey. Three of these were the "grandfathers" dating from the Ottoman period —the Ottoman Bank, Banco di Roma and Hollantse Bank— which commanded a tiny share of the market. The other was the Turco-Arab Bank, a partnership of Turkey, Kuwait and Libya founded in 1977.

Citibank—one of Turkey's biggest creditors—set up a representative office in 1975, and last year received permission to establish a branch in Istanbul with $1m capital. Within a few months three other foreign banks applied—American Express, Bank of Credit and Commerce International and Bank Mellat of Iran. Amex is setting up one branch with $1m capital, while BCCI has received permission to establish three branches.

Other foreign banks are known to be interested in Turkey. But, while they are not excluded from any banking activity pursued by the domestic banks, they face a banking environment stultified by regulations—a heritage of Ottoman and Byzantine days. Foreign bankers already in Istanbul say that anything not actually spelled out as permissible must be presumed illegal rather than legal. They also say that telephone and telex services need to be improved.

Like domestic bankers, foreign bankers hope the appointment earlier this year of Mr. Osman Siklar as the new Central Bank governor will, at last, end fears that the appointment was doomed to become a political one—a suspicion that had grown since 1978.

They are also pleased to see the return of Mr. Yavuz Canevi to the Central Bank; he is now deputy governor dealing with foreign transactions.

But they worry about Mr. Turgut Ozal, Turkey's economic tsar—or, more specifically, that more Government officials do not share his market-minded views.

He inspires confidence, they say, and a lot depends on him personally. For everyone, this is hardly a comforting position to be in.

Squeeze forces change on companies

INDUSTRY

DAVID TONGE

"NASREDDIN HOCA, worried at the cost of his donkey's food, decided to give it a little less to eat each day. After one month he stopped its food altogether. Three days later the donkey died, causing the Hoca to complain to his neighbour: 'Stupid donkey, just when I had trained it to do without food.'"

This story about Turkey's most famous folk character is told today by the country's Minister of Industry, Mr. Sahap Kocatopcu, to indicate the plight of Turkish industry. A major squeeze on credit is undoubtedly forcing firms to use their resources more efficiently, as is the drop in domestic demand caused by Turkey's economic crisis. But now the question is whether industry needs some stimulus before major collapses occur.

Mr. Kocatopcu, an ex-industrialist—he was head of the major Pasabahce Group, one of the country's biggest exporters, selling goods such as glass—is worried about the numerous state economic enterprises which come under his tutelage. He is also well aware of the pressures which have caused small and medium-sized firms to ask for a change.

Convinced

Mr. Murteza Celikel, member of the board of the Istanbul Chamber of Industry, was last year calling on Mr. Turgut Ozal, architect of the present policies, not to be "the man who wrote the epitaph on the tombstone of middle and small industrialists." He described the economic policy being implemented as totally to the benefit of the large holding companies which have grown up in recent years. But Mr. Ozal is convinced that no change of course is necessary for the time being, and in this he has the support of a number of the country's major businessmen.

Mr. Rahmi Koc, who runs the country's largest industrial and trading group, is the first to admit that times are tough and that his group is tightening up on the credit it gives to its clients and going slow on the payments it makes. But he argues that "Turkey has paid so much for inflation that we need to suffer a little more to control it."

Another leading businessman who shows signs of "shell shock" from the effects of the recent past is Mr. Ali Kocman, head of a shipping and manufacturing group and President of TUSIAD, the influential Turkish Industrialists and Businessmen's Assocation. From his office over the Golden Horn, he insists that the economic programme is proving a success even if it is painful for his group. "On a company basis I have many problems, but as a citizen and head of TUSIAD I fully support what the Government is doing."

The major problems faced by businessmen are the slump in the domestic market, the high cost and scarcity of finance, and the way inflation has made a nonsense of their capital base. They no longer complain about labour problems; strikes are forbidden. They also say that both energy and imported inputs are on the whole available. Virtually without exception all talk of their interest is in exports. Four case studies indicate the problems involved.

Asilcelik: This specialist steel firm represents a $99m investment, the largest project ever carried out in Turkey, and last year recorded the largest loss ever posted by a private Turkish company, TL 927m ($11m). The plant has a yearly capacity of 210,000 metric tons of hot rolled products and is located at Orhangazi, about 100 miles south east of Istanbul. Thyssen Edelstahlwerke of West Germany provided process technology and manufacturing knowhow. Ishikawajima-Harima Heavy Industries of Japan, provided the main equipment and Kaiser Engineers International of the U.S. were engineering consultants.

Construction of the plant began in January 1977 before the extent of Turkey's crisis or the oil price shocks were clear. A taste of problems to come was given during this period when Turkey was unable to find the foreign exchange to pay for the 200 kms of copper wire necessary for the plant: "We arranged for 150 gypsies to travel round Anatolia collecting copper items which we melted down and had drawn. We bought the black plastic coating for the wire on the black market," says Mr. Tezcan Yaramanci, general manager of Asilcelik.

The plant, whose major shareholder is the Koc Group, is a crucial one for the economy, with a net import saving of $100m. But it has come on stream when its major client, the car industry, is in a disastrous state and when local investment and production is also hit. The plant is only working at a quarter of capacity.

Despite this, the plant which employs 1,150 workers is just about meeting its operating costs. Mr. Yaramanci admits that its products are 70 to 90 per cent more expensive than the prices of imported goods. But he says that these contain a dumping element. A 29 per cent tariff is charged on imported steel goods.

While Asilcelik could ride these problems, what is crippling it are its financing costs. The company had a guarantee from the Ministry of Finance against devaluation risks on its $60m foreign loans. But in 1978 these guarantees were rescinded. When the loans were taken out the exchange rate was TL 16 per dollar; today it is nearly TL 100 per dollar.

A second problem is the cost of domestic finance. Its latest bank borrowings are at rates of around 50 per cent. It has doubled its capital, from TL 2bn to TL 4bn. But it is also considering taking on a new shareholder like the Agricultural Bank or some party recommended by the Government. Government support is needed, and perhaps the financing of its foreign exchange burden with a long-term, low-interest loan. As Mr. Yaramanci puts it: "In no country is a basic industry like Asilcelik not protected in its infancy."

The Government has responded to the point about firms' foreign debts. It says it will extend eight-year loans for this purpose to a value of TL 8bn through the Industrial Development Bank of Turkey.

Modest profit

Cukurova Machine Production and Trade. The problems of Asilcelik's potential customers are vividly shown in Turkey's largest agricultural machinery plant. This is located on the other side of the country on the rich Cukurova plain, just outside Tarsus, birth place of St Paul.

Cukurova managed to turn in a modest profit last year, TL 12.3m ($125,000) but its sales figures are a dramatic statement of its problems. In 1976 it produced 782 combine harvesters and in 1977 538. These are made under John Deere licence and Cukurova is Turkey's sole producer. But in the following three years it only produced 180 a year. In 1978 and 1979 the bottleneck was a lack of foreign exchange in Turkey to cover costs of importing the 35 per cent of the harvester which had to be brought from abroad. This year the share is down to 30 per cent. In 1980 the foreign exchange was available too late for the firm's peak sales season. This year production is expected to rise to 360. Now the problem is the collapsed state of the domestic market. Capacity on a single shift basis is 1,200.

Mr. Ertan Akatay, the company's marketing director, says he is about to set off to Syria, Iraq and Iran to explore export possibilities. He might have done so earlier but in 1974 the firm exported to the Middle East and there were problems over quality. Later the licensor had been "hesitant" over Cukurova exporting. But now he is sure of his product. Indeed the company is about to complete a $29m expansion into the field of tractor production.

Last month it settled the suppliers' credits required to complete the machinery imports involved; Mr. Samsa Karamehmet, general manager of the plant, had just been to Paris to sign a FFr 20m suppliers' credit covered by COFAS, the French export credit agency—which, unlike its major European counterparts, has never really stopped cover for Turkey.

Sasa: A few miles from Cukorova Makina down the road towards Adana is another plant which had begun to expand before the crisis hit Turkey. This is Sasa, the synthetic fibre plant, one of the brighter jewels in the crown of the Sabanci Group and the biggest such plant in the Middle East.

This $300m complex has an annual production capacity of 60,000 tons of DMT, 29,500 tons of staple fibre, 8,400 tons of filament yarn and 6,500 tons of tops. It uses two production processes, one from ICI and the other from Du Pont. The Du Pont line, which involves continuous polymerisation, has an annual capacity of 14,000 tons and a 100 per cent expansion is expected next year.

The plant has been badly hit by the slump in domestic demand. It has been able to keep DMT production up, largely because it has been able to export to Iran and Yugoslavia; it is even exploring sales to Indonesia. But problems at home have led to it closing down its eight ICI lines. Stocks have built up and the need to increase credit to customers has contributed to financing costs amounting to around one-half of operating costs last year.

According to Mr. Atil Saryal, the assistant general manager responsible for finance and purchasing, the plant has no working capital. Mr. Saryal admits that it, like many Turkish companies, had depended too much on the Turkish market. But now he says the firm "is really going to hustle abroad."

Shortage

Unilever: A rather different set of problems has been encountered by Unilever at its margarine factory at Bakirkoy, an industrial suburb of Istanbul, well outside the Byzantine walls of ancient Constantinople. Its 110,000 ton per year plant is one of the three largest in the developing world. During the early part of the crisis there was a desperate shortage of margarine and cooking fats in Turkey and long queues for what there was.

"The market was hit, but not us," claims Mr. Melih Yildizlar, who is about to take over as managing director. A shortage of foreign exchange had meant a dearth of the necessary imported oils as well as of the proper seed for local sunflower production. Many of the smaller producers find that they cannot sell, but Mr. Hans Eggerstedt, the present managing director, says it has managed to keep customers because of the quality of its product and its practice of packaging rather than selling in bulk. The plant is working 24 hours a day, seven days a week.

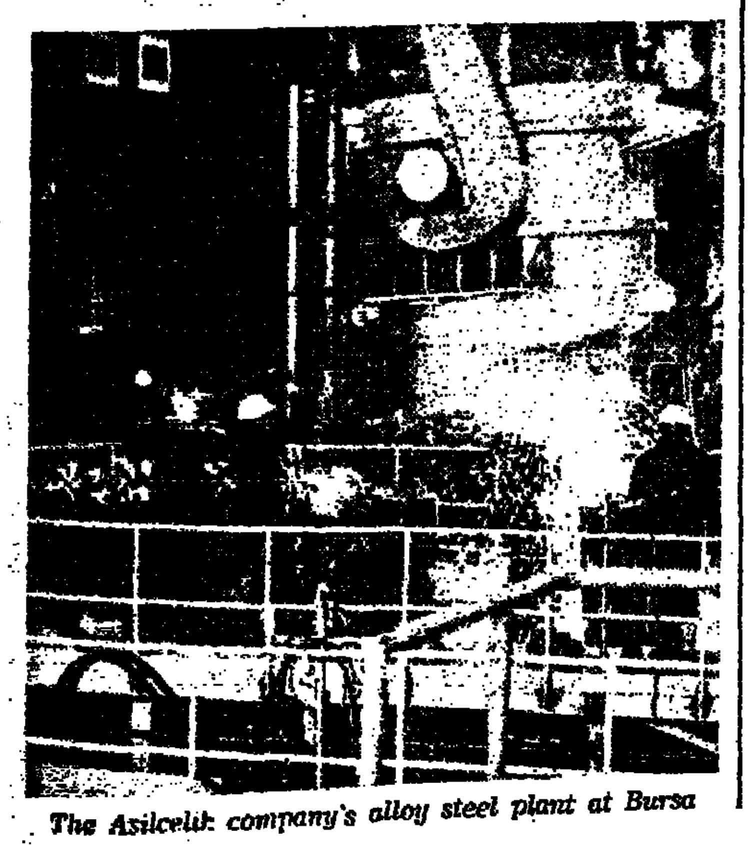
Unilever is exporting scouring powder to Russia, Poland and Iran.

Last August, Mr. Husnu Dogan, head of the Foreign Capital Department in Ankara, arranged in one week a capital increase which the firm had been pressing for 12 years.

All these companies are part of larger groups. As in Italy in the early 1960s, so in Turkey in the early 1980s, these groups are able to ride the storm when many smaller companies go under.

So far there has been little experience of firms merging. The banks tend to move in to companies and either close them down or put in their own men.

There are more calls for integration, particularly in the troubled automotive sector. In 1980 the 16 firms worked at an average of 28.8 per cent of capacity, with only bus production (1,098 representing 55 per cent of capacity) at all satisfactory. As Mr. Ziya Ozkan, general manager of the BMC Sanay plant at Izmir, a Leyland Vehicles associate which includes a fully integrated diesel engine plant, says: "The time has come for integration."



The Asilcelik company's alloy steel plant at Bursa

Ali Kocman

INDUSTRIAL WEALTH in Turkey is slowly entering its second generation. The majority of the empire builders, like the legendary Mr. Vehbi Koc, are still very much alive and kicking.

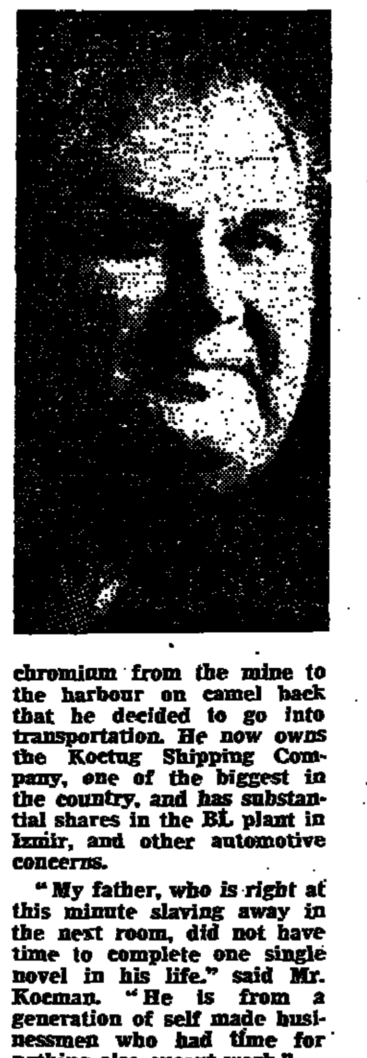
It would seem that, like Turkish political leaders, Turkish tycoons are not in the habit of retiring. But a gamut of sons and daughters are slowly ascending from basements to spacious offices overlooking the Bosphorous where decisions are made.

Born into easy going wealth, these younger people are a different breed from their elders, who rose from rags to riches concentrating more on making money than enjoying it.

Mr. Ali Kocman, chairman of the powerful Turkish Businessmen's and Industrialists' Association (TUSIAD), is a typical example of this second generation of Turkish businessmen.

Mr. Kocman was born in Istanbul 38 years ago and went to the local lycee. During his four years at the Istanbul Academy of Economic and Commercial Sciences he worked under his father and spent summer holidays in Britain and Belgium.

After graduation, he worked for two years in the U.S., and one year in Britain, learning about the shipping business which he calls "my baby."



Mr. Kocman's father started life as a mining engineer but got so fed up with the process of transporting chromium from the mine to the harbour on camel back that he decided to go into transportation. He now owns the Koctug Shipping Company, one of the biggest in the country, and has substantial shares in the BL plant in Izmir, and other automotive concerns.

"My father, who is right at this minute slaving away in the next room, did not have time to complete one single novel in his life," said Mr. Kocman. "He is from a generation of self made businessmen who had time for nothing else except work."

The son, a corpulent bachelor, seems to have been blessed with more leisure. He is reputed to have the largest collection of Turkish paintings in the country. He is a student of Turkish history and, like many intellectuals, enjoys interminable conversations on what is known as "solving Turkey's problems in one hour."

Fluent in English, Mr. Kocman has been described by an Istanbul socialite as "the kind of man you meet at a dinner party and hope that he is seated next to you."

Mr. Kocman divides his time between Tusiad and his father's business. He has been active in Tusiad, the formidable lobby of Turkish tycoons, for the past five years and was elected chairman last November. He has led delegations to the U.S., UK, and Japan to help the Turkish Government's fund-raising efforts.

As Tusiad chairman, Mr. Kocman has given full support to the Government's economic austerity programme and its plans to apply for full membership of the Common Market.

Even at the darkest days of economic crisis and political terror, he says, he did not give up hope.

"The Turkish nation has immunity to pain and difficulty," he says. "Problems can rock other nations, but Turkey remains solid as a rock."

Metin Munir

Strategy has two encouraging features

ENERGY

ANTHONY McDERMOTT

"Priority Number One must be terrorism. But after this it is energy. Within this, petrol is a main priority, and then electricity."

This is the assessment of Mr. Kamil Toktas, the head of the Turkish Electricity Authority (TEK), and it is not hard to disagree.

But Turkey has been extraordinarily slow to publicise the fact that one major reason for its financial plight has been the cost of oil imports. Turkey has been equally slow in trying to close the energy gap either by regular long term conservation measures, or by exploiting fully hydraulic and thermal resources.

Thus while oil imports in 1973—before the first round of major price rises—cost $222m and were the equivalent of nearly 17 per cent of exports, last year, oil imports cost $3.1bn comfortably exceeding the value of all exports, put at $2.8bn.

The encouraging features of Turkey's energy strategy are two-fold. First, the terms for foreign oil companies exploring for and producing oil have been improved. Second, there has been a more realistic approach towards the selection and planning of projects to take advantage of the vast coal, lignite and water resources.

Less satisfactory, however, has been the execution of projects, many of which are inexorably slipping behind planned targets. Perhaps the most dramatic and depressing example has been the colossal Afsin-Elbistan A thermal power plant, which is years behind schedule and may never operate at full capacity.

The Ozal "stabilisation programme" of January 1980 introduced several incentives in the oil sector. Oil prices, which obscurely had remained unchanged at $5.21 a barrel from 1974 until 1980, were allowed to rise. Currently at $31.15 a barrel the price is now much more in line with those of OPEC.

In addition, foreign companies were obliged under the new measures to sell 65 per cent of the oil produced after January 1 1980 in Turkey, but could export the remainder. The foreign currency earned could be used by the companies for meeting their own obligations.

Taxation benefits have been made more attractive and offshore exploration has been put on a par with onshore operations. The Turkish Petroleum Authority (TPAO) is considering an increase in the 35 per cent proportion for export in offshore production.

These inducements have not provoked an active rush for involvement in developing Turkey's oil resources. Current licence holders number 11, almost all in the south-east area of the country, where in spite of the fragmented nature of the geophysical structure, the main fields are to be found.

Of these, several are well established and active: TPAO, Shell, Mobil and Ersan. Huffco of the U.S. has licences for exploration around Diyarbakir, Elazig, Adlyaman, Mardin and Siirt. Some local companies such as Koc, Eczacibasi, Transturk and Turkan have yet to be active. The same applies to Aladdin Middleast and World Wide.

Hopeful

From the aspect of the priority development of Turkey's oil resources, the most optimistic view is that new exploration and new techniques of secondary recovery will at best eke out the reserves of middle-aged fields. TPAO remains hopeful that as technology develops it will be possible to drilll below the 5,000-metres level reached for the first time in April—and discover new fields.

There is no escaping the fact that Turkey's domestic oil production is extremely limited. In 1980, it reached 48,000 barrels a day (mainly Shell about 21,000 b/d, TPAO 17,000 b/d, and Mobil 5,000 b/d). This was 19 per cent down on production in 1979, and TPAO hope that small scale discoveries in the Dincer and Shelmo fields in the south east will enable production to be kept at a similar level this year.

The World Bank will have an important role in helping Turkey with its oil resources through its provision of two loans: one for $67m for boosting the recovery of crude from the 20-year old Bati Raman field—and the second of $25m for exploration in the Hakkari area in south east Turkey.

A petrol station in Istanbul. Turkey imports 250,000 barrels of oil a day.

In situ reserves at Bati Raman are estimated between 1.7bn barrels and 2bn barrels, and by the injection of carbon dioxide for secondary recovery it is hoped that the recovery rate will rise from the present 1.5 per cent to 20 per cent, yielding 57m tonnes (or about 1.1m barrels) over the next 15 years. The pilot scheme is to start at the end of 1982 and be in full operation in 1984.

The consequence is that Turkey needs to import from Iraq, Iran, Libya, Saudi Arabia and the United Arab Emirates about 250,000 b/d to meet its local requirements.

Two factors are liable to increase local consumption. The first is the eventual reflation of the economy during the next few years. The second and parallel factor is the expansion of the existing refineries—at Aliaga, Atash, Iprash and Batman—with capacity of over 16m tonnes a year and the possible addition of two others. This would almost triple the requirements of the refineries in the next 10 years.

It can be argued that there should be greater concern with developing Turkey's other and more lasting energy resources. For the intention, according to TEK is that by the end of the century there will be no power plants fuelled by oil, except for their emergency generators.

Electricity production in 1980 totalled 23.29bn kilowatt-hours, of which one quarter came from oil products, and the rest divided between coal and lignite and hydraulic power with some electricity imported from Bulgaria and the Soviet Union. Installed capacity in 1979 was over 5,000 megawatts.

Production, in spite of imports, is short of demand. Last year, power cuts were made to save the equivalent of 1.4bn kilowatt hours, or about 6 per cent of production. The same is expected this year, although production is expected to rise slightly to 24.5bn killowatt hours.

TEK maintains that, as a result of its investment in 18 new power plants, by the end of the second half of 1983 there will be uncut electricity in Turkey. It maintains too that by 1995 Turkey's energy consumption and production will total 160bn kilowatt hours, rising to 200bn by the year 2000.

Then 100bn kilowatt hours will be derived from dams and the like and the rest from coal and lignite plants. Thereafter, as TEK points out, from 1999 it will be necessary to bring into operation every two years one nuclear power plant with the capacity of 1,000 megawatts.

The State Planning Office (SPO) has drawn up a list of 14 priority projects divided almost evenly between thermal plants deriving their power from coal and lignite and hydraulic power plants.

TEK identifies these as the main projects:

- Afsin-Elbistan, a lignite-fuelled thermal plant.
- The Ataturk Dam, with a total capacity of 24,000 megawatts—with first of six units in operation in 1991, and subsequent ones at three month intervals.
- The Karakaya Dam, with total capacity of 18,000 megawatts, with the first unit ready at the end of 1984-85, and the following five at three-month intervals.
- The Yatagan power plant of 1,000 megawatts capacity, the first of whose five units should be completed by the end of this year, and thereafter at six-month intervals.
- The Soma-B thermal power plant with three units of 165 megawatts capacity.
- The extension of the Keban Dam, which has currently four units of 155 megawatts in operation, but is to be extended by a further four units, each of 170 megawatts, with the first in operation by the end of October, and the rest at three-month intervals thereafter.

These are impressive objectives. The weaknesses: the facts that key schemes, to judge from official publications alone, are several years behind even revised programmes, incapable of meeting long-term energy requirements, and their costs will be enormous.

Project pulled from disaster

AFSIN-ELBISTAN

ANTHONY McDERMOTT

BETWEEN Kayseri and Malayta in south east Turkey, on a high, mountain-ringed plain, bleakly cultivated, lined with poplars and dotted with villages of houses with bright silver corrugated iron roofs, stands Afsin-Elbistan A—or what has been built of it so far.

Reputedly, it will be the largest lignite-fired thermal plant in the world. In full service, it could provide about one-quarter of Turkey's needs, and ease its balance of payments problems. Even unfinished, the project is a spectacular sight. There are four three-hundred foot, elegantly curved cooling towers, slightly overlooked by narrow white and red striped smoke stacks beside them. In the centre an enormous box-like boiler plant is in place, surrounded by roads, and jumbled heaps of giant size Meccano pieces, which should have been stored in warehouses.

Two years ago, the project was on the brink of disaster. Between July 1978 and April 1979 virtually no work was done. The causes were: terrorism, worker unrest, and inefficient local civil work, the Turkish Electricity Authority (TEK), the main contractor, was penniless and expatriot workers had drifted home.

Today work goes ahead. There are no strikes—by order of the martial law authorities—whose barracks stand to the right of the main entrance, and local morale is higher. TEK is now able to pay construction contractors Foster Wheeler, and the other West German and French contractors involved. Foster Wheeler has changed its site management and its top men in Ankara.

Open drain

Given this improvement, it may sound scurrilous to be critical. But the facts all indicate that, although the project has backed away from total disaster, it could turn out to be the most protracted and uneconomic project in Turkey's history; an open financial drain. On top of that, it might never operate at more than half capacity.

The concept is to establish a four-turbine power plant (each of 340 MW), providing a total of 7.8bn kWh a year of electricity. It would be fuelled by the nearby open cast lignite mines, whose proven reserves are estimated at 3bn tonnes—enough for a century.

Under the description of the project dated October 1973, the first turbine was to be put into service—usually anything between six and nine months after completion and tests—in December 1977, and the fourth in July 1979. In fact, work on the site began in September 1977. The first stage is now scheduled to come on test a year from now—in May 1981—and, according to official theory, the others will follow at six-month intervals, with all in operation by the end of 1984.

In practice, the gap between turbines being completed and in full operation, is probably nearer eight months. But this discrepancy is dwarfed by two other factors. The theft of equipment and its deterioration in the open air, has forced Foster Wheeler to cannabalise parts of turbines 3 and 4, for the first two, making their completion unlikely. More crucially, costs have risen beyond belief.

In 1979, the overall cost was put at $1.5bn. Cost target projections done at the beginning of this year put the ultimate total at 17.12bn Turkish lira ($16.3bn).

Doubtful

Last month for example, international banks opened letters of credit for $52m to cover wages for the 150 expatriots in the workforce of 5,000 until the end of the second turbine. It must remain doubtful that the World Bank, for instance, will continue to give support for this seemingly endless project, on which the cost target projections are based. At the end of last month, the first turbine was 39 per cent complete, the second 8 per cent, and the last two 2 per cent.

How has a project whose theoretical conception is logical and feasible, continued to have such problems? The problems, in part at least, come from the isolated position of Afsin, in a plain approached by winding roads below the snow line even in April.

This makes not only the transport of equipment from Mersin port, often delayed by customs officials difficult and hazardous but also the erection of a grid system, as TEK officials readily admit, a major problem.

Certain drawbacks have an enduring quality, which even the new determination of the military government has been unable to eradicate. With the notable exception of the erection of the cooling towers by the Turkish Holding company Kutlutas, local work has tended to be substandard and required time-wasting supervision and rechecking by expatriates.

Time has been wasted trying to track down missing equipment. TEK's civil work has been slow and its co-ordination with expatriots weak. Workers' absenteeism has been high. Subcontractor's work has often been unco-ordinated and thrown the overall schedule out. Even smaller details, such as the lack of carbon dioxide for welding tools, have caused delays.

As a result, it is not surprising that this major project continues to have problems. Equally, it is not surprising that officials are reluctant to discuss developments beyond official schedules and banalities. Small wonder that the TEK official on site felt inhibited in an interview by the presence of the local martial law commander into 20 minutes of vacuosities. But it still gives pause for thought that there are blithe plans for Afsin-Elbistans B, C, D and possibly, E.

An essential key to economic recovery and growth

AGRICULTURE

CHRIS SHERWELL

UNTIL RECENTLY, Turkey's farmers had become one of the country's under-recognised majority groups in the post-war dash for industrialisation. Yet Turkey is one of only a dozen countries able to feed itself; it is one of the top 10 wheat and cotton exporters; and it is the world's number one exporter of raisins, figs and hazel nuts.

Now the country's rich agricultural potential is being seen both by officials in Ankara and businessmen in Istanbul as a vital element in Turkey's economic recovery and an essential key to future economic growth. The OECD, in its recent report on Turkey, went so far as to say that greater attention to agriculture would "help slow down rapid and now mostly unplanned urbanisation which has vastly aggravated social problems."

The last time the potential of agriculture was recognised as paramount by Turkish leaders was in the early 1950s, when agricultural exports were seen as a way to pay for the import of manufactured consumer goods. Good weather, the opening of new lands and increased demand for primary products at the time of the Korean war all combined to make the policy work.

Later, a decline in world demand and in local output brought a sharp fall in foreign exchange earnings. Although emerging agri-industries in textiles and food processing offered a market, the emphasis in overall economic policy changed to industry and to import substitution. This continued until the late 1970s when, despite the growth in remittances from workers abroad, a new foreign exchange crisis loomed and brought the present rethinking of policy.

By last year, agriculture supported 56 per cent of Turkey's 45m population, constituted 22 per cent of national output and earned 59 per cent of the foreign exchange won through exports. These shares are all smaller than their equivalents in the 1950s, reflecting Turkey's trend of industrial and urban development. But the gap between potential and actual production from agriculture remains high, despite the widespread use of modern farming methods.

Turkey has the third largest agricultural area in Europe after the Soviet Union. About 57 per cent could be irrigated, whereas only some 44 per cent actually is. Moreover, much of it is concentrated in the west around Izmir and in the south around Adana. The vast underdeveloped eastern region offers enormous hope for the future, especially if land reforms can be implemented.

The Adana region—the great alluvial plains of the Seyhan and Ceyhan rivers—is Turkey's cotton bowl, and offers an illustrative example to the rest of the country. The completion of the Seyhan dam, bringing electricity and water, and the arrival of tractors and fertilisers, set the area on a path which has made Adana the fastest growing city in Turkey and also one of the most prosperous. Vast expanses of green fields are broken up by the factories of such agri-related industries as textile mills, food canning plants and combine harvester assembly plants.

Diversification

With growth has come diversification. The enormous range of crops now grown in Turkey includes not only wheat (grown on 34 per cent of agricultural land), barley (9.5 per cent), fruit (10.6 per cent), sunflower and other oil seeds (7.6 per cent) and cotton (2.5 per cent); It also includes maize, hazel nuts, sugar beet, potatoes, tea and olives.

Trends in output have in some cases been encouraging, illustrating how much yields have improved. Wheat output grew 58 per cent between 1974 and 1980, for example, while sugar beet rose 49 per cent and tea 140 per cent. However, cotton showed a slight fall, potato and grape production was static and tobacco and oil seeds were erratic.

While Turkey's agriculture may no longer be a victim of the weather and inputs like fuel, fertiliser and pesticide may be used more efficiently, the fact that the rising trend in output does not embrace more crops is disturbing. In addition, yields on grain and vegetables still compare unfavourably with France for example, production of many major crops has been static in recent years.

In the specific and controversial case of opium, the position is happier. Since the U.S.-imposed ban on cultivation of 1972-74, the area under poppies has declined. Fields are limited in size and farmers—117,000 of them—are licensed in an official Government-controlled area.

Poppies are no longer lanced. Instead, the Government buys the pod and stalk and makes poppy straw concentrate. This is used to make morphine base, which is sold to overseas pharmaceutical companies. The output of concentrate has increased, and the biggest problem nowadays concerns cross-border smuggling from the "Golden Crescent" of Iran, Afghanistan and Pakistan.

Further advances in diversification and output in Turkish agriculture depend only partly on the irrigation projects the Government is now urging ahead. Turkey has the worst ratio of tractors to acreage in Europe, lower than Portugal's and twice as bad as Spain's. More effective application is needed of research on seed varieties, land use, fertilisers and pesticides. Even more vitally, improved packaging and marketing abroad is required.

The problem of poorly organised extension services is particularly attacked by agricultural scientists critical of Government effectiveness in such matters. They say officials fail to reach the farmers themselves, and in the Adana region point to their own success through twice-daily local radio programmes in which timely advice is dispensed to local farmers.

The Government is, however, giving help in an effort to boost agricultural exports. The marketing problem remains, and the lesson is only now being learned that if the best nuts or fruit cannot be brought fresh to the foreign consumer's doorstep, they might as well not be grown. Complicated export formalities are nevertheless being simplified, an export insurance policy is under discussion and tax rebates for different commodities are being applied.

The case last year of a basic commodity such as wheat illustrates the problems Turkey faces over exports. In 1980, in spite of a good harvest, both wheat and hazel nuts displayed a poor export performance. In the case of the nuts there was simply a sharp drop in production. But for the wheat, inadequate Government credit following tough limits on public sector lending meant that the official export agency, a State Economic Enterprise, was denied sufficient financing.

The result was that Turkey's total exports last year could not even cover the country's vital oil bill. But it is equally rather difficult to see how Turkey can increase its agricultural exports quickly. There is, for instance, a serious shortage of grain storage facilities. The country's real potential is in the medium term, and demands well-judged investment now.

Changes are at least going ahead to ensure better financing of agriculture. In the cause of greater efficiency certain subsidies have been lifted or reduced, notably on fertiliser and other inputs. Efforts are also expected to reduce the gap between producer and consumer prices, although it is also appreciated that such subsidies can assist the process of diversification, as has clearly happened in the case of tea.

In a change to the system of pricing, farmers are to be given crop prices before the sowing season in order to provide an incentive, rather than at the time of harvesting. The scale of the rise in guaranteed prices this year remains unclear. In 1980 the increase averaged 100 per cent, more than the previous year although then, too, the rises were substantial.

Incentive

Three areas of the agricultural sector in particular offer notable opportunities — livestock, forestry and fisheries. Livestock figures in Turkey show a comforting but slow displacement of goats by sheep over the past 20 years, and strong rises in sheepmeat, beef and milk production. Output remains slow by European standards, however, and a programme to breed more productive dairy cattle, for example, is under way with the help of the World Bank.

The country's large meat potential has caused some people to start describing Turkey as the potential "Argentina of the Middle East" — and the phrase "red petrol" is also gaining currency as Turks ponder what they can best sell to the oil-producing states to keep their cars and industry running. Turkey, nevertheless, still needs to transform its animal assets into high-yield species if it is to improve its exports substantially.

Plain short-sightedness on the part of Turkish governments has been blamed for the country's failure to exploit its forestry potential in the past. Governments have neglected to put enough funds into forestry either to cut down average trees or to replace younger trees cut down prematurely.

Like many other developing countries, Turkey faces a depletion of its forestry resources as larger numbers of people rely increasingly on wood for their fuel and other needs.

One curious sideline in Turkey, however, concerns prison sentences relating to criminal forestry damage. Ataturk is once reported to have said that a "country without trees is no fatherland," and such sentences, unlike all others, cannot apparently ever be commuted into shorter terms. Unfortunately, around one-fifth of Turkey's population is said to live in forest areas, and resources are thus bound to be depleted without further action.

These resources are the third largest in Europe and Turkey could undoubtedly develop a bigger paper and pulp industry. Last year the State Economic Enterprise concerned with paper ran at a loss, partly because newsprint had to be sold at a subsidised price. This year the subsidy has been reduced, but newsprint is still being sold below cost and remains cheap by world standards.

Anyone who has visited Turkey and enjoyed its sea food will appreciate the potential of its Black Sea fisheries. Over the five years 1975-79 inclusive, however, fresh and sea water catches remained broadly static between 250,000 and 300,000 tons a year. Fishing is still principally a small man's business, and in the Black Sea itself it is a family business in which barriers to entry are formidable.

It is one of the final paradoxes of Turkey's agricultural scene that over the past ten years, despite all the changes, the shares in total agricultural output of agriculture proper (58 per cent), livestock (36 per cent), forestry (5 per cent) and fisheries (1 per cent) have barely changed.

Smouldering support for Generals' plan

LAND REFORM

CHRIS SHERWELL

FADED SIGNS near lonely tracks in the Urfa area of south-east Turkey bear a message from the early 1970s which local peasants have since found to be yet another empty official promise: "This road to be built by the Directorate General of Land Reform," they proclaim.

General Evren's Government, however, is determined to break with the past and is embarking on an ambitious programme of land reform, beginning in Urfa. The need for land reform soon strikes any visitor to the rural areas of the country. Makeshift tent villages set up by riverbeds in the rich southern plain of Cukurova turn out to be inhabited by landless villagers from Urfa. Near Adana itself, the district's capital, two groups of farm workers digging potatoes also came from this town.

In the south east itself the clash between landless peasants and the feudal agas or landlords who own whole villages lies at the root of the Kurdish unrest which had begun seriously to alarm Turkey's rulers.

The undersecretariat responsible for land reform has been absorbed into the Prime Minister's office. It is headed by a minister of state, Mr. Ilhan Oztrak, a relaxed professor of law, who was in charge of the Urfa project when a Turkish government last tried to introduce land reform — following the last period of military rule in 1971.

When civilian rule returned the policy was undermined, but this time he is anxious that it should go through and that the stalled Urfa project, in particular, should be completed. A land reform Bill has been formulated, and is due to be submitted to the National Security Council this month. Parliament has been suspended, so the law is likely to be frustrated by the parties or ruled out by the courts on technical grounds, as occurred before.

"We consider land reform as part of social reform in Turkey," Mr. Oztrak says. "We want agricultural land to be efficiently exploited by owners directly. We want to see social justice."

The main target areas are the east and south-east of the country. In these regions almost 750 villages fall completely or partially under the ownership of individuals or families. Even the dwellings where landless peasants live are owned by these agas, some of whom own literally dozens of villages.

Terrorism

The need to move on the issue is emphasised by the smouldering support among villagers for land reform which buttresses the potent local resistance movement of "Apoists." This is alleged to have carried out terrorist attacks in the region and, according to Mr. Oztrak, the Urfa land reform area had become a no-go area before September 12, the day when the generals took power last year. The local administration even had to pay a water bill in the area of TL60m (£280,000).

Mr. Oztrak says that an irrigated area of 7,500 hectares in Urfa is about to be rented to a total of 4,500 families. The Government's estimate is that each family will then be able to earn a disposable income of some £750 a year by growing vegetables. Another less fertile area nearby is also to be rented out, he says, and in five years' time, when this land is also irrigated, it will be sold on easy terms to the families.

The new law, which will contain some 250 articles, is said to cover appropriation, distribution and consolidation of land, along with measures to prevent its fragmentation upon inheritance, which occurs under traditional Islamic law and practice. An agricultural insurance scheme is also envisaged. Altogether, says Mr. Oztrak, 550,000 presently landless families are expected to receive land.

The principal beneficiaries are expected to be the sharecroppers who farm the agas' lands and hand over a ten per cent tithe, the traditional amount dating from Ottoman times. Available work for these sharecroppers has declined in recent years with the increasing mechanisation of agriculture in Turkey, and their complaints have intensified.

Peasants who already own land are not expected to be affected by the measures, and the Government is apparently unconcerned about the agas. But it does want to ensure that the reform produces no actual decline in farm output.

In the view of one university economist, the Government has enough broad support at the moment to do almost what it likes, and need not worry about the old links between modern industrialists and traditional landowners. These, he says, have outlived their useful political purpose in supporting governments in Turkey.

The Government, he suggests is moving in this direction partly for national security reasons relating to control of the east and south-east of the country, and partly to do what the civilian politicians abjectly failed to do.

The chances of success may be better now than in the 35-odd years since important post-war reforms gave a boost to Turkey's agricultural potential. But it could yet founder on the rock of management incompetence.

Remarkable performance in the Middle East

CONTRACTING

ANTHONY McDERMOTT

THE PERFORMANCE of Turkish contractors in the Middle East has been remarkable. Unlike the bulk of Turkish businessmen and companies now driven to exporting because of the depressed local market, the contractors recognised the importance of the Middle East market long before it became fashionable for others.

Sezai Turkesh won a contract to build the second phase of Tripoli port in Libya in 1951. The next Turkish contract did not come for three or four years. Nevertheless, a spectacular precedent had been set.

The second factor has been that this was achieved against the slowness of the Turkish Government to give encouragement to the activities of their contractors abroad. Had they recognised that they were driving these companies to operate almost as offshore ventures, they would have derived more funds repatriated directly from the companies involved and from Turkish workers employed abroad, and could have boosted the sale and export of Turkish machinery at a time when the home market was becoming increasingly unattractive to construction companies.

Two years ago, Turkish contracting companies were involved in contracts—mainly in Libya, Saudi Arabia and Iraq—worth U.S.$2.5bn. Today, the value of such contracts is about U.S.$5bn.

Pamukbank, which has been involved in financing some of these deals and indeed in one fortnight alone in April this involved some U.S.$700m worth of contracts in Libya, is confident that the value of Turkish contracts in the Middle East will reach U.S.$10bn by the middle of next year.

This optimism is justified. Enka Holdings, one of the Turkish contracting pioneers in the Middle East has currently four contracts in Saudi Arabia: a water treatment plant in Riyadh (with Enka's share worth $50m); for two pumping stations on the Jubail-Riyadh pipeline (worth U.S.$20m); the water distribution system in Riyadh (share worth U.S.$20m); and a water channel in Jubail (worth U.S.$50m).

In Iraq, Enka has subcontracting work on a sewage system and cement factory, worth U.S.$30m. In Jordan its share in the construction of a potash plant is worth U.S.$40m, and it is exporting to Jordan and Iraq this year 7.5m tonnes of steel worth about U.S.$11m.

In Libya, Enka has formed a joint venture with another Turkish company, Kutlutas for a U.S.$260m housing project and has one road contract worth U.S.$10m and a military camp construction deal worth U.S.$5m. It is preparing another joint venture with Kutlutas for two housing projects in Mecca and Medina each worth $1bn. Kutlutas itself in the last three months has been invited to tender for seven projects in Saudi Arabia (including the housing ventures) and reckons its potential share in these contracts at $2bn.

Modest

Until recently, overall earnings by Turkish contractors have been comparatively modest when compared with the size of the contracts. These earnings include the remittances of Turkish workers, of whom there will be about 75,000 in Iran and the Arab world by the end of this year and up to 120,000 next. In 1978 for example net receipts totalled only U.S.$55m. According to Pamukbank they will be worth U.S.$300m this year, rising to U.S.$500m next.

Part of the reason for this can be accounted for by the cost of setting up operations. But it reflects too the Government's slowness in supporting and encouraging this industry.

A major change in the past year has been closer co-operation between the Turkish Contractors Association and the Government. Once a month, representatives of the former and of the main governmental economic institution meet to consider contracting problems.

A decree was issued last month permitting banks to provide foreign currency loans with maximum maturity of six months in principal and interest repayable in foreign currency. In addition, changes in the law now permit the repatriation and use of up to 20 per cent of contractors' profits for financing imports or any of their other activities.

Stamp duties, amounting to 0.5 per cent of contract values were dropped under earlier legislation.

The central bank has both speeded up the process of obtaining commercial bank guarantees, and concluded direct government agreement to back Turkish bank guarantees when they were not acceptable abroad.

An additional sign that Turkish contractors may continue to prosper was the inclusion for the first time of a Turkish bank—Is Bankasi—on the approved list of the Saudi Arabian Monetary Agency, albeit with a limit of only U.S.$13m per contract.

To a considerable extent, contractors have been doing well abroad because the domestic construction market is so low, with the public preferring to put money in the bank rather than purchasing houses or flats. During the first nine months of last year, the construction area of building fell by nearly 2 per cent and the number of building permits issued fell by more than one quarter.

While, according to provisional data, industrial production as a whole rose by 1.1 per cent in 1980, cement production fell by 8 per cent. Fixed capital investments in housing fell for the public and private sectors together by just over 5 per cent in 1980—from TL 25.2bn in 1979 to TL 23.8bn.

But while the public sector fears a small increase, private sector investment fell. According to the 1981 investment programme drawn up by the State Planning Organisation, investment in the housing sector is to rise overall by a meagre 3 per cent.

Private sector construction companies are grimly holding on at home and hoping for better times. As Mr. Mustafa Ozcan, the chairman of Mimtash put it: "Everybody is helping everybody else and holding ther breath until circumstances change." He has had to lay off workers, but as required by the martial law authorities he continues to pay them.

Out of a total workforce of about 600, 100 have already been suspended, and another 200 he forecasts will follow this year, which he describes as "one of transition." In 1980, Mimtas's profits were TL 25m and are likely to be down this year. Mimtas is inevitably looking abroad, and has won a U.S.$25m contract for government buildings in Libya and is expecting a second one in Iraq.

By contrast, the public sector, represented by the Turkish Cement Industry (TCI), which operates 16 out of the country's 35 cement plants, appears to be surviving the construction industry's lean days with some success. According to Mr. Mehmet Yildiran, the general manager, profits last year totalled TL 920m and are expected to reach TL 2.5bn this year.

Last year was the first time the TCI had made a profit. This year is described as being "static," but like others he hoped that exports would provide the needed additional income. TCI's exports last year were worth U.S.$97m, but these should rise to U.S.$150m this year.

Confident

In terms of cement produced, some 10 per cent of the 3m tonnes output went on exports in 1980, whereas of the 5.5m tonnes produced this year, more than one quarter would be going abroad, mainly under government to government deals with Iraq, Iran, Syria, Libya and Pakistan.

The TCI is also confident of continuing expansion through involvement in government dam and irrigation schemes. The Turkish Government is also planning to release TL 70bn of credit, probably this summer, for investment in housing. Of this, the TCI is confident of picking up about half.

If there are qualifications on the future of this sector, which is fundamentally healthy, they are twofold.

First, the construction sector in the markets of the Middle East are diminishing as the primary level of infrastructure gets into place. (Reconstruction in Iran and Iraq after the war is an exception here.) As a result, it might be necessary for the broad based private sector Turkish holding companies to think more of diversifying out of pure contracting into the management, building and manning of factories.

Second, as the contracting market in the Middle East becomes more competitive and the Turkish domestic market expands, it will be interesting to see whether Turkish contractors, the vanguard of those trying their luck abroad, can resist the temptation to turn inwards again.

Cash shortage delays upgrading Turkey's transit links

COMMUNICATIONS

CHRIS SHERWELL

THE CONSPIRACY between history and geography which has made Turkey the link between Europe and Asia is nowhere more breathtakingly symbolised than in the magnificent suspension bridge across the Bosphorus. But Turkeys growing role in facilitating trade between the West and the Middle East, so reminiscent of its old "silk route" link, extends far beyond this remarkable structure — so much so that the country, as a communications centre, could one day come to be seen as the region's Singapore.

Not only is a second Bosphorus connection under consideration. In line with the Government's broad emphasis on infrastructure in its economic strategy, efforts are also being made to improve Turkey's vital road network, to electrify the rail system and raise its freight-carrying capacity, to increase the efficiency of the country's main ports and to expand Turkish Airlines' activities.

Shelved

The task of improving Turkey's transport and communications systems is an uphill one, however, partly because of the country's sheer size— it is 1,000 miles across — but especially because of the overall shortage of financial resources. The question of a second Bosphorus connection, for example, was effectively shelved last October precisely for cost reasons, although the Government still feels the link will become necessary in the next five years.

A decision has yet to be made on whether the connection will consist of a second road bridge or a tunnel carrying just rail or both road and rail. The preference is apparently for a tunnel, to be able to link the European and Asian rail networks. Preliminary studies for a second bridge were begun in 1977 by Freeman Fox, who built the first bridge, and later stopped. A U.S. consortium started feasibility studies for a tunnel under a U.S. AID grant. Overall costs are put at well over $2bn.

A second connection would probably give a fillip to the idea of a 6,250-mile trans-European motorway linking Eastern Europe with Asia. Last year 10 countries agreed on a grand design for a route which they said could be in place by 1990.

Traffic on Turkey's urban and rural roads has grown enormously over the past few years, putting them under tremendous strain. Car ownership has virtually doubled over the past five years, as residents of Istanbul and Ankara know to their cost. At the same time, much of the increasing trade during the 1970s between the oil-rich Middle East countries and the West has gone by road through Turkey. The number of transit trucks, for example, rose from 10,000 in 1972 to 110,000 in 1976, and has since soared further.

The Ankara Government now wants to renew the main northern road between Iran and Bulgaria, and has asked the two neighbouring countries how much they are able to help. The $400m project is one of several under consideration. Others focus on the establishment of ferry services to various Turkish ports, from which improved roads or railways wil take freight to the main network serving other Middle East countries.

Top priority is being given to a rail ferry service linking Venice with Mersin, Turkey's important southern port. The big sea hop will take advantage of lower shipping costs, while Turkey's Communications Ministry has plans to electrify the rail link between Mersin and Iraq.

Also under consideration are ferry services from Romania and Bulgaria to the Turkish Black Sea ports of Samsun, Trabzon and Hope, from which freight could then be taken by road to Iran. These plans would require improvements to the linking road network, and Turkey is anxious to secure help from its trading partners here, too.

The case for greater emphasis on rail rather than road in Turkey's transport policy is underlined by the country's limited foreign exchange reserves. According to 1976 figures, foreign currency spent on road transport—spare parts, tyres, equipment and especially oil and petrol—amounted to almost $2bn. The position almost certainly grew worse subsequently.

In 1978, road transport took a 92 per cent share of Turkey's passenger traffic and 70.8 per cent of cargo shipments, and the country is unofficially expected to earn between $100m and $150m from road transit trade this year. Only about 18.5 per cent of cargo shipments went by rail. This consisted principally of meat, minerals, coal and military supplies. The figure should improve with the hoped-for quadrupling of the railways' transport capacity over the next 10 years.

Marine cargo's share in 1978 was less than rail's at 10.5 per cent, while the comparable figure for air was a paltry 0.2 per cent. Efforts are being made to improve these proportions too, but the obstacles are enormous.

One day last month, for example, outside Mersin, 285 grain trucks loaded with wheat and barley were lined up along the main road, queuing to offload their cargoes into the quayside grain silos for export. The problem was electricity cuts which prevented the trucks being tipped up to unload the grain—and the position then had, if anything improved, for the queues were said to have been far lengthier previously.

Such infrastructural problems are the bane of Turkey's economy. The ports suffer badly from shortages of forklift trucks and cranes, an obstacle some operators overcome by using cranes ostensibly in transit elsewhere because four of the six main ports are operated by the railways—a loss-making State Economic Enterprise — inefficiency and lack of authority have tended to become the norm. In the words of one disillusioned shipping agent, "Giving a port to the railways is like putting a train driver in charge of a transatlantic steamer."

To combat inefficiency in the port of Iskenderun, which is also in Turkey's bustling south, the military-dominated Government was forced last year to instal a senior naval officer to end the bureaucratic bottlenecks and indecision which threatened to throttle the port's growth. From the comments of local shipping agents, he has succeeded admirably, reinforcing the boost the port had already achieved with the ending of labour troubles following last September's coup. The Government is now considering a new law establishing a single administration for all ports, starting at the beginning of next year.

Mersin and Iskenderun have both benefited considerably from the decline of Beirut as a Middle East shipment centre since the Lebanese civil war broke out in the mid-1970s. They have also exploited the trade which has mushroomed since oil prices rose after 1973 —trade in food items between countries like France and Denmark, on the one hand, and Kuwait, Jordan and Saudi Arabia on the other, has encouraged Turkey to do the same, with growing success.

But the most recent boosts have come from the Iraq-Iran war and the release of the U.S. diplomatic hostages from Tehran. Because of the war, Iraq has imported many of its civilian supplies through the two ports. There are reports of queues of trucks at the Iraqi border, and a taxi service has sprung up between the south-eastern Turkish town of Diyabakir and towns inside Iraq. When Iraq's refinery was damaged, 1,500 trucks a day were said to be sending diesel oil to Baghdad.

Shipping agents confidently expect Iran's trade with the West to pick up with the settling of the hostage issue. They say they are receiving inquiries from several countries in Europe, and that they expect Turkey to benefit both from handling this trade and by selling direct to Iran finished consumer goods and items like wheat—the latter to be sent via Mersin to Bandar Abbas.

The task of improving the share of cargo which goes by air in Turkey is more problematic than in the case of marine cargo. Turkish Airlines is evidently keen to compete for the business of air freighting frozen meat, fruit and vegetables abroad. But it apparently lacks the resources to run a service out of key agricultural marketing towns like Adana. At the moment Turkish Airlines is objecting to proposals that this business should be contracted out either to the private sector or to foreign airlines.

First steps taken to set companies on right road

STATE ECONOMIC ENTERPRISES

CHRIS SHERWELL

THERE IS a growing impression that Deputy Premier Turgut Ozal, architect and executor of Turkey's tough economic programme, is ready to see any one of the country's major state economic enterprises go to the wall, simply to demonstrate his determination to make them fight for themselves.

When Mr. Ozal was asked recently if he would allow the collapse of Isdemir, the huge Soviet-supplied state iron and steel plant at Iskenderun, he was brutally frank. "Why not?" he responded instantly. "You have to have the Sword of Damocles over these companies."

But Mr. Sahap Kocatopcu, the the Minister of Industry adopts a more fatherly approach: "I lie awake at nights worrying about them," he tells visitors.

The major losses recorded by the 28 State Economic Enterprises (SEEs) have long been one of the more important factors contributing to Turkey's high rate of inflation. The SEEs have been criticised for being badly managed, overmanned having payrolls swollen by patronage and being generally inefficient.

In January 1980 the Government took a first step towards restoring some of the disciplines of the market. It allowed the SEEs to set their own prices, with the exception of five "basic" items—electricity for metallurgy, coal, chemical fertilisers and oil and marine services. Prices of other goods were to be set to cover operating costs and to provide investment funds. Rises, varied between 45 per cent and 400 per cent.

Tight limits were also imposed on central bank credit to the public sector. In other words, the SEEs could no longer come running to the Treasury and automatically cover their losses.

Assessment of the financial impact of these measures is still being made. Previously, the SEEs' combined operating deficit had risen to TL 36bn (£168m) in 1977, and then climbed to TL 52bn in 1978 and TL 71bn in 1979. The hoped-for overall improvement in 1980 may not have materialised — operating losses for the year are put by some at up to TL 60bn, although the OECD, for one, expects a TL 30bn surplus.

The OECD also estimates that total revenue for the SEEs increased by TL 200bn in 1980. It points out that whereas in the period 1971-79 the shortfall in resources to meet investment had consistently increased, in 1980 the gap has at last shown signs of narrowing, from TL 59bn in 1979 to TL 26bn in 1980.

Greater losses

If 1980 is considered disappointing, it is because losses on the "basic" goods and services—notably for the enterprises TKI (coal) and TCDD (railways)—turned out to be greater than anticipated. This was mainly because the rate of inflation was higher than expected.

Similarly, the hoped-for profit of certain SEEs like Sumerbank or Isdemir was smaller than expected because planned price increases were not fully implemented—although some other large increases were actually revised further upwards, and the cement and fertiliser SEEs are turning a profit after years of losses.

With the limit on borrowing from the central bank, however, the net effect will still be to increase the size of arrears to contractors and suppliers. This effectively shifts the burden to the private sector—hardly a desirable outcome for a Government committed to the well-being of private enterprises.

It seems indisputable that the authorities' economic measures since January 1980 have, as intended, put the SEEs under increasing strain. But it is a more controversial question whether any one of them might already have collapsed had the measures been implemented more thoroughly.

Certainly continuing losses among some of the SEEs remain a major factor preventing a more rapid reduction in the Government's budget deficit, and a key problem of the Turkish economy. Equally though, the SEEs remain a vitally important feature of the state's intimate involvement in the country's industry.

It is generally agreed that they achieved Ataturk's aim when he first set them up before the Second World War, namely, to spearhead Turkey's modernisation in areas of industry and communications where the private sector feared to tread. The SEE's also spurred Turkey's industrialisation to greater heights by providing private sector businessmen with cheap industrial inputs for the ventures in which they did wish to invest.

The cost of the policy has been substantial since the opportunity was missed in the early 1950s to turn the SEEs over to the private sector. Successive governments' involvement in the SEEs' production, pricing and employment policies meant they became objects of political patronage and institutions to supply work for the unemployed.

Overmanned, badly managed and with absurd pricing structures, the SEEs displayed the unacceptable face of Turkish State capitalism, piling up losses of ever-increasing magnitude and producing ever-greater demands on the budget because of their ambitious investment programmes. Unable to generate capital by themselves, the SEEs resorted to Government subsidies and cheap official loans to recover their losses, adding to inflationary pressures in the economy.

The prospect of an improved performance by the SEEs in the 1980s will be strengthened by the present Government's major tax reform, introduced in January. This will not only increase government revenues, it will also be used to limit wage increases in the public and private sectors.

As price liberalisation will plainly be insufficient, other new measures are being introduced to help tackle the problem. Increases in employment at SEEs will not be allowed, and only half of all vacancies will be filled. Senior positions will be filled more rationally to improve management competence. There will be less interference, and longer tenure will be assured. Special bonuses will be given to workers for high productivity. Expenditures will also be more carefully monitored.

On top of this, priorities have been set for SEE investments, according to Mr. Kocalopen. Top priority has been given to the fields of energy and power, roads and transport, and cement, fertiliser and iron and steel.

Reliance on the state budget for support could be further reduced by allowing the SEEs to go directly to the capital market to fund their capital needs.

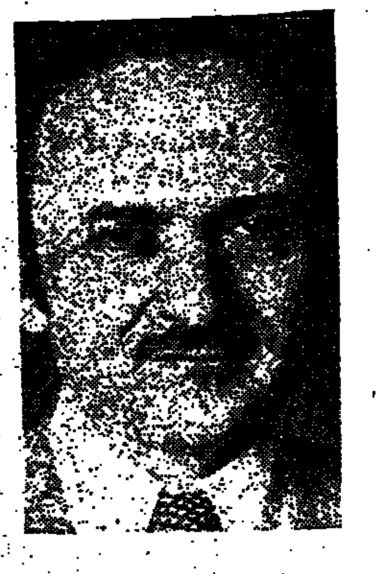
The Government will also have to consider at some point whether to sell off profitable SEEs. "Preparations are needed and no decision has been taken," says Mr. Kocatopcu. He suggests that the SEEs could be sold partly or wholly to private sector companies or direct to the public, or perhaps a combination of these. One possibility would be to have the state retain a 15 per cent share, to sell 15 per cent to the private sector and offer 70 per cent to the public.

Optimism

All this must await improvements in both the private and public sectors. But the idea is an indication of the official optimism, even if the immediate picture still seems gloomy because of the SEEs' financial weakness. As far as the Government is concerned, the SEEs are making smaller losses and the shortfall between their resources and their investments is narrowing. Both trends mark a reversal of the past.

Mr. Ozal is adamant about the future. "I can guarantee that most SEEs will be more profitable than last year." Principles have been applied, he says. "The system is responding, the anarchy has ended." But the real test will come if and when a SEE reaches the very brink of closure.

Yildirim Akturk



CALM, LUCID and strikingly rational, Mr. Yildirim Akturk has been making a name for himself in international bodies such as the World Bank and the Organisation for Economic Co-operation and Development.

As head of Turkey's State Planning Organisation he finds himself regularly dealing with them at pledging and planning meetings. His precision is appreciated, as his key role in the team which is forcing through the Government's radical reforms over the often-Ottoman traditions of the country's bureaucracy.

The team set up by Mr. Turgut Ozal, architect of the reforms, is an unconventional one—for two reasons. On the one hand it is made up of men who first came to prominence during the heyday of the National Salvation Party, the Islamic movement whose leaders now face up to 36 years' prison for breaking the ban on secularism.

Mr. Akturk, for instance, then became head of the administrative board of TESTAS, a state electronics firm.

The second characteristic of many members of the team is that they have both risen to their present position and, paradoxically, been brought in from outside because of their qualifications.

In this respect Mr. Akturk's career is representative. Born in 1941 in Izmit he has mixed an academic and business career with one in the State Planning Organisation. He graduated with honours from Liverpool University Electronics Faculty in 1961, and had some experience in London at the university and a research centre before joining the SPO. During his five years as head of its Incentives Department and as a special research expert he completed courses at Harvard Business School.

In 1976 he joined TESTAS, being brought back to the SPO by Mr. Ozal in 1980. The day of the coup he managed to have an official car collect him for work—though it took nearly two hours to cross the various road blocks. Now he says he sees the role of the SPO as helping implement the changes under way. Planning, in other words, has become practice.

David Tonge

Nurettin Kocak

MR. NURETTIN KOCAK, one of Turkey's contractors, making a name for himself in the Middle East, became accustomed to rising at dawn in Sivas, the central Anatolian town, where he worked on his father's farm during his secondary school years.

It was a habit which came in handy when he graduated from Istanbul Technical University's School of Engineering in 1955. Those were years when the construction business boomed in Turkey when the Government, aided by the Marshall Plan, launched an ambitious industrialisation programme.

Mr. Kocak's first job was deputy site manager in a textile factory construction in Aydin, in the Aegean Region. He was to work on sites in many parts of Turkey for the following decade.

"For the first 10 years of my career I did not take any holidays. I rose at 5 am and went to bed at 11.00 pm almost every day," he says.

His labours paid off in 1962 when he acquired minority shares in the Kutlutas Construction Company, a modest concern which he quickly took control of and built into one of the largest in the country.

By 1977, when the economic crisis stifled the construction business, Kutlutas was a holding company embracing about 20 firms and employing more than 10,000 people. It diversified its activities to include machinery, textiles, chemicals and pre-fabricated concrete housing. Its consolidated turnover in 1980 was more than $170m, less than one seventh coming from the construction division.

Mr. Kocak, at 49, says he can afford to rise at 7 am. Most of the top executives in his group are either former class mates or engineers who were with him when Kutlutas was a small, struggling company. According to Mr. Kocak this is one of the secrets of success — "They worry about the job more than I do."

He claims that Kutlutas is unique in that although it is a family concern, executive boards are made up of managers and employees who own up to 40 per cent of shares in his companies.

His only daughter is studying business administration in Geneva and will start at the bottom next year to be groomed to take over her father's companies.

Kutlutas was forced by its size to place contracts abroad in 1976 when it won a contract to extend the Baghdad-Daura Therman power station in Iraq. It is building a $70m foundry in Iraq and a $260m housing complex in Libya with Enka, another large Turkish construction company.

Mr. Kocak is confident of winning new contracts in Saudi Arabia—where he has set up a company—and he has been invited to tender for five projects worth $2.2bn.

Although construction is a relatively small part of his business he sees expansion opportunities there and believes

Turkish constructors have considerable growth potential in the Middle East and the Gulf.

"Turkish construction firms will have $10bn worth of contracts abroad by the end of 1981," he says.

Metin Munir

'Unrestricted unionism' is out

LABOUR

DAVID TONGE

TURKEY HAS entered the 1980s with a Government trying to re-introduce some of the labour practices seen in the country in the 1950s. Now, as then, strikes have been forbidden, unions pressed to keep out of politics, and a single confederation encouraged—one set up on U.S. lines and with U.S. help.

In time strikes may be re-allowed. But what is clear is that today's rulers do not countenance allowing a return to the "dangerous and unrestricted" unionism of the past decade.

The problem is that in recent years, Turkey has moved far from the conditions of the 1950s. The cities have burgeoned and the industrial labour force has soared; in the 10 years to 1977 it doubled. Returning workers from abroad have brought tales of labour practices in West Europe. And; most important, during the 1970s the unions had grown accustomed to being a power in the land.

The expectations of organised labour had become high. Certainly, there were severe problems in the situation which had arisen, but in changing this situation the Generals have taken harsh steps.

Part of their approach involves a frontal attack on the unions. They have banned strikes and abolished collective bargaining; wages are now fixed by compulsory arbitration in a tripartite body in which workers are poorly represented.

The Generals have also launched a systematic campaign to curtail trade union activity. They have allowed Turk Is, a moderate federation formed in 1952 and having 1m members, to stay open, but they have frozen its operations. Members of Turk Is have received circulars from the confederation saying that they must not recruit or organise in any way.

Three union congresses have been allowed in Ankara, but not one in Istanbul, the country's industrial centre.

While Turk Is has been emasculated, the more active radical left-wing union DISK has felt the Generals' "Iron Heel." DISK, which was formed in 1967 and had some 500,000 members, has always insisted on its political as well as union nature. The Generals have suspended DISK, arrested its leaders and many, if not most of them, have been subjected to torture. They are now accused of "setting class against class."

The other part of the Generals' approach is a more discreet clawing back of some of the rights won by workers. They have decreed that pensions are to be paid at 60 per cent of the average of the previous five years' earnings; before the rate was 70 per cent of the previous three years' earnings. They have reduced the (admittedly large) severance bonus paid to workers. The State Accounting Office has limited the number of monthly bonuses paid to workers — though these, too, had got out of hand. Less significant, employees' social security contributions have been slightly increased.

Five measures

Now the aim is to tighten up the collective bargaining and labour laws. Yet senior ministers insist they are not against the workers. To buttress their case they point to five measures they have taken.

The first is ordering all companies negotiating collective agreements to pay a 70 per cent advance to their workers—an impressive sum until set against the approximately 90 per cent inflation at the time the decree was taken. The second is a relatively-effective ban on dismissals. The third is cutting inflation and thus protecting the worker's pay packet. The fourth and perhaps most important, is a tax reform. The average rate of tax paid by a well-paid industrial worker or senior civil servant has fallen from around 50 per cent to under one-third. Finally, they have caught up on a huge backlog of unpaid severance pay for retiring State employees.

The measures have been greeted by employers with relief. The intensity of strikes had reached alarming proportions; in the first nine months of 1980 7.8m working days were lost, six times the amount lost in any previous year, and further strikes were about to begin. That some companies could not sell their production and were thus not averse to letting strikes continue tends to be glossed over. Also, in the capital intensive industries such as chemicals and petroleum, workers had become used to pitching high claims, and obtaining them.

But at home and abroad the Government has run into considerable criticism. Turk Is has been largely silent but its longtime president, Mr. Halil Tunc, traditionally a moderate, has recently begun to speak out. He has criticised employers for being allowed freely to "misinform public opinion" since the coup and to blame workers as being involved in the terrorism that racked Turkey.

Abroad, the criticism has been far tougher. Last month the International Confederation of Free Trades Unions wound up a mission to Turkey complaining at the "wholly unacceptable suppression of human and trade union rights" in Turkey.

Mr. Otto Kersten, General Secretary of the ICFTU, said tht Turk Is's membership could be suspended if its General Secretary, Mr. Sadik Side, continued to hold the post of Minister of Social Security in the General's cabinet. He warned that Turkey's membership of the International Labour Organisation was under challenge.

The European Trades Union Confederation, the grouping of EEC unions, has also come out in strong criticism of the situation.

It needs to be stressed that all was not well before the coup. In the first place, inflation caused unionists to put forward major claims at a time when employers were having trouble in selling their products because of the slump in the economy. Secondly, there was a major difference in perceptions of these claims. A frequent demand by workers was for a doubling of net take-home pay. But to an employer this meant a trebling of his wage bill.

While employers complained at the level of claims, they also criticised the rights exercised by unions in a country where unemployment had risen to around 20 per cent of the labour force.

A further issue was severance pay. For the employers this was a crippling burden but for the unionist high levels of severance pay was his only protection in a country without proper unemployment benefits or comprehensive old-age pensions.

The unionist also had his reply on the other issues. He insisted that real wages had fallen in the past five years, by as much as one-half. He would also emphasise that factory conditions are often the worst in Europe and the working week the longest. In a growing economy this conflict between the two sides could probably have been borne. But once Turkey's economic crisis began to develop something had to give.

Membership surge

Turkey's experience of free collective bargaining only goes back to the 1960s. The 1961 military intervention led to the introduction of the right of strike and adoption of a trade union law based on Western practice. Such items as the check-off system for union contributions were adopted and there was a surge in union membership.

Turk Is responded to this new situation by continuing its tradition of non-political unionism. Its failure to support a few major strikes in the mid-1960s contributed to growing disenchantment among some of its members. These broke away in 1967 to form DISK. DISK has always seen itself as a class union movement on the lines of the left-wing confederations in France and Italy.

It has done less well than Turk Is in the State sector and in industries such as textiles where small traditional enterprises with limited union organisation exist alongside larger production units. But it was soon to attract workers in capital intensive areas such as metals, petroleum, chemicals and rubber. In many of these industries foreign capital has a major stake.

Motorcycle police patrolling the streets of Istanbul

Then there was the contrast between the tough, professional stance DISK adopted when negotiating on a plant level and the political rhetoric it adopted on a national level. Its aim, it declared, was to further Socialism. It soon found within it a number of factions ranging from the Republican People's Party to the (illegal) Communist Party of Turkey.

Its present General Secretary, Mr. Abdullah Basturk, made it his first task to weaken such influences. But he also strongly believed in the need for workers to have a political movement in a country where they had no political party in parliament to further their cause.

It was this which led DISK to support the massive May Day rallies of 1977 and 1978 — at the last of which supporters of the CPT unfurled hundreds of banners calling for the legalisation of the party. And it is this which has caused the military authorities to set out to crush DISK.

In revising the laws covering trades unions and collective bargaining, the authorities are expected to set tighter limits on unions' political activities. Today they are forbidden to give financial support to political parties in the way that, say, the British TUC supports the Labour Party.

The authorities are also expected to define the functions of union representatives and to amend check off practices; the present mechanism has contributed to the fragmentation of Turkish trades unions, of which there are now over 900. But a lock, stock and barrel redrafting does not seem necessary — or at least so concluded many of the speakers at a recent seminar in Istanbul of representatives from the Ministry of Labour, Turk Is and the universities.

But there is a burning need to speed procedures at the labour courts so that they begin to provide the protection for employers and in particular workers, for which they were set up. Then, some solution has to be found for the problem caused by the existing early retirements allowed in the state sector. Men can retire after 25 years' work and women after 20 years', meaning that the state pension burden is excessive.

However all these points are resolved, perhaps the crucial issue for the 1980s will be what form of political expression Turkey's workers will find. In the 1970s, the lack of political representation helped contribute to the way that they proved a fertile ground for radical ideas from the left and, to an indefinitely lesser extent, from the right.

For Mr. Halil Tunc this situation must change. It is unlikely to do so soon, but it is equally unlikely that the present climate of industrial peace can survive without firm police measures.

Oktay Eksi

IT IS a tough time for journalists in Turkey, but Mr. Oktay Eksi, chief leader writer of the country's largest newspaper, Hurriyet, makes it clear that it is not impossible.

His sometimes - trenchant editorials have for instance criticised the military for harassing journalists. The paper has also printed the occasional story on sensitive topics such as torture. Like other papers it is liable to be telephoned by the military. But the only real trouble it has faced was when it refused to obey military orders to correct a story it had written —four of its top executives were promptly detained for two-to-12 days.

Mr. Eksi is realistic about the problems: "We have to accept that under a military regime we cannot write as comfortably as under an open regime." He says the paper tries to be careful in sensitive areas. It cannot criticise Ataturk or his principles and cannot criticise the regime or armed forces as such though suggestions can be made for their better functioning.

He is not new to such problems. A journalist since leaving university in 1952 he observed the 1961 coup while doing his military service. He then became one of the youngest members of the Constituent Assembly. In 1971 resigned his job as head of commentaries at the Turkish Radio and Television when the military took over. Today he still believes in the constitution he worked on. He says it might need some minor modifications but that no constitution could have survived the politicians Turkey had in the past two decades.

The paper he works for has been a remarkable success story. Set up in 1948—on May Day, like other moves by today's publisher Erol Simavi —it was the first to introduce the colour printing which makes the Turkish press something of a multicoloured swap shop. It was the first to introduce regional pages and the first to start printing in West Europe for migrant workers. It prints 660,000 copies in Turkey and 100,000 in West Germany.

Its size is something of a protection but it is certainly true that its centrist line causes it to be less critically scrutinised than more radical papers such as Cumhuriyet, whose sale is frequently interrupted by the martial law authorities and whose journalists have even been summoned in over articles on jogging.

As for the future, the chief leader writer of a paper whose name means Freedom says: "We just have to be careful."

David Tonge

Military regime's big victory is restoration of law and order

VIOLENCE

METIN MUNIR

NIGHT AFTER night Turkish television has been showing groups of bedraggled youngsters, arrested with their weapons. The message is clear—the fight against terrorism is being waged successfully.

It is in the field of law and order that the military regime in Turkey has scored its quickest and largest victory. Eight months ago on the eve of the coup the country was on the verge of civil war as left fought right, Kurd fought Turk and Sunni fought Alevi. Hundreds died every month in hit-and-run murders, riots, armed clashes and massacres. In many parts of the country armed political gangs ruled in no-go areas where state authority was virtually non-existent. Terror permeated everything and everyone's life.

The situation now is dramatically different. State authority has been re-established and the people's confidence in the future of their country largely restored.

The Government says that while it is too early to declare victory over terror—acts of violence in the post-coup period dropped by 80 per cent and continue to fall. In the seven months since the coup 360 people have lost their lives in terror-related incidents. In the two years preceding the takeover an average of over 200 people were being killed each month.

The entire country is under martial law and under curfew between 1 am and dawn. Martial law commanders have been given a virtual free hand in uprooting terror, and they enjoy virtually unlimited powers.

Since the coup, four people—three leftists and one rightist—have been tried and hanged for acts of terror. According to official figures there are about 26,000 people in jail—80 per cent leftist, 10 per cent right wing and 10 per cent belonging to Marzist Kurdish secessionist groups.

Some 14,000 are described as "militants" belong to underground terror organisations. About 30 of these organisations have been broken up and many of their members are before martial law courts.

More disturbingly, about 200 members of the Revolutionary Workers' Unions Confederation (DISK), including the entire leadership, are in prison. The regime has also arrested the leadership of two extremist parties. Mr. Necmettin Erbakan, chairman of the pro-Islamic National Salvation Party (NSP), and 34 leaders of the party have gone on trial for conspiring to establish a religious state in Turkey. Mr. Alparslan Turkes, chairman of the ultra-right wing Nationalist Action Party (NAP) and 500 party members are in prison awaiting trial. The death penalty has been sought for him and 219 other leaders of the party. It was one of his followers who tried to kill the Pope last Wednesday.

The administration believes terror was fed from abroad and —while not naming names—points an accusing finger at neighbouring Soviet Union. According to the military's thinking, terror in Turkey was part of an overall Soviet plot to destabilise the Middle East and establish control over it.

"We seized enough arms to equip an army," said a Turkish general. "Most of them were in the hands of people who could not afford proper shoes. How can somebody who cannot afford a pair of new shoes own a $10,000 machine pistol? Obviously someone else paid for them and sent them to Turkey."

There is no shortage of conspiracy theories in Turkey and little use in recounting them. What is beyond theory is the fact that Turkey was ready for the "seeds of terror" and, despite the outward calm, remains so.

Inequities in wealth, unjust land distribution particularly in Eastern Turkey where the Kurdish minority lives, unemployment, inflation and lack of opportunities for the young are a few of the causes of terror. The problem is further compounded by the high birth and urbanisation rates which have turned the large Turkish cities into—in the words of a Turkish sociologist — "nurseries for terror."

The degree to which the army succeeds in undoing these ills will in the long run be more critical to the law and order situation than anything else.

Attracting visitors is a top priority

TOURISM

BARBARA SMITH

FIFTEEN YEARS ago a trip to the Eastern Mediterranean was considered slightly daring. Now a holiday in Greece is commonplace and comparatively risk free, as close to 6m tourists last year could confirm. Turkey, however, is still thought of as a somewhat far flung country, retaining a wild and frontier flavour. In 1980 it attracted only slightly over 1m tourists, who spent a mere $277.8m.

In tourist potential, Turkey towers over its Hellenic neighbour. The Turkish Aegean and Mediterranean coastlines are among the most beautiful and least spoilt of the region. Inland too, Turkey has much to offer the visitor interested in rugged landscapes, relics of previous civilisations and modern Islam. Istanbul, bridging two continents and the successive capital of three world empires, possesses perhaps less known but no less spectacular antiquities than Athens.

Turkey easily rivals Greece in other areas too: its cuisine is of exceptionally high standard, its arts and crafts are world renowned, its people warm and hospitable. And equally important, repeated devaluations of the lira over the past few years have made Turkey an overall cheaper vacation spot. But Turkey has its clear disadvantages too. The main ones are a bad public image and a tourist industry that is still not geared up to handle volume trade.

Throughout the 1960s and 1970s endless newspaper reports dwelt on the drugs trade, as did at least one controversial film. Over the past four years, however, the main worry and deterrent for tourists, and this time with justification has been rampant terrorism. Until 1977, tourist numbers had been rising steadily if not spectacularly to reach 1.7m. By 1980 they had dropped right back to just over 1m. The army takeover in September of last year brought a period of calm to Turkey which should in time serve to allay fears and remove this particular obstacle to larger tourist numbers.

General Evren himself has identified tourism as a top priority sector and in April he issued a stern warning to anyone interfering with the carefree enjoyment of tourists. Special security measures are being introduced to protect foreign visitors from disturbances and strong punishments are to be meted out to anyone caught charging unreasonable prices.

Improvement of Turkey's public image will not on its own be enough. Last year, Turkey could provide only 56,000 licensed beds and generally the industry has been neglected. Only a ½ per cent of the budget over the past 18 years, and less than 1 per cent of capital expenditure, has been devoted to tourism. The Minister of Tourism and Information, Mr. Ilhan Evliyaoglu, makes no bones over the fact that mistakes were made in the past and that some time will be needed to rectify them. "We are engaged in creating an environment for healthy development," he emphasised.

One of the faults of previous administrations was to spread scarce funds too thinly. Now not only is tourism to receive 5 per cent of annual budget appropriations, but this money is to be concentrated on four rather than 104 locations. Antalya is to receive half of public funds as well as a $26m World Bank loan; the other three areas are Izmir, Ephesus and Istanbul.

The Government clearly cannot afford to do much more than build the essential tourist infrastructure, the rest must be left to investors, Turkish and foreign. "Promotion of investment" rather than "promotion of tourism" is the key, stresses Mr. Mustafa Turkmen, the deputy under secretary at the Ministry of Tourism. The red tape is being cut and the incentives piled on to attract investment in tourism no less than in any other sector of the Turkish economy.

The outdated 1953 investment law is being replaced by one replete with generous incentives including tax exemptions and guarantees of capital and income repatriation. Applications for tourist investment will from now on be handled exclusively by the Ministry of Tourism, rather than by the 11 or so separate ministries whose approval was needed previously.

The Tourism Bank of the Republic of Turkey has also been given a new lease of life — a capital injection of TL12.5bn to add to the meagre TL2.5bn it started with in 1960. Last month Mr. Cafer Canli, General Director, described as imminent the signing of a loan agreement with a Belgian company for a TL600m, 400-bed project in Antalya. The atmosphere is clearly changing. Mr. Turkmen said that in his 10 years at the Ministry he had never received so many inquiries from potential investors. These include the Hilton and Sheraton chains.

But until the new projects come on stream and demand picks up, the large tour operators may continue to shun Turkey. A survey of UK tour operators makes rather dismal reading. All of them claimed that city tours of Istanbul were popular and some, such as Sunquest, reported bookings up 50 per cent this year over last. But outside Istanbul, cancellations or total lack of interest were the norm.

Sovereign has had to withdraw its 15-day coach tour; lack of demand caused by a relatively uncompetitive price was given as the reason. Thomson Holidays was forced to cancel its package tour to Moglu because the new Dalaman airport had delayed its opening by a year. Now this is to be opened next year for charters and the hope is that it will encourage investment in badly-needed hotels in the area. But the mood is still quizzical.

"Not an easy country" was how a spokesman for Thomson characterised Turkey. He felt the hotels along the Aegean did not yet satisfy his company's requirements. Like Global and Cosmos Tours he stressed that until numbers warranted charter flights, the cost of packages would remain unattractively high.

A baker displays his wares in Istanbul

The Turks are realists though and they are not expecting a wild tourist boom. By 1985, they hope that the number of beds will have tripled and the level of revenue increased five times.

Risks will have to be taken if Turkish tourism is to emerge from the doldrums. The Government in Ankara is prepared to take some and investors in an enhanced and more secure business climate are finding it easier to commit themselves.

But ultimately the main spur for Turkish tourism may be consumer disaffection with overcrowding and pollution further west in the Mediterranean and Turkey once discovered is rarely forgotten.

Aim is a generation taught to have no truck with extremism

EDUCATION

ANTHONY GREENE

TURKEY'S EDUCATION ministry bears the proud style of "Ministry of National Education." The title is a clue to its role in society—and to the expectations of successive governments of varying political hues.

Essentially, Turkey's educational system is a legacy of the Ataturk years. During its heyday in the 1930s and 1940s it was a prime instrument for Kemal Ataturk and his successors when trying to build up a new middle class with new cultural orientations as a bulwark for the fledgling Turkish Republic.

This helps explain why, after the revolution of 1980, the Education Ministry was one of the half dozen singled out as needing a military man at its helm. General Hasan Saglam, a retired army officer, was selected. He and his officials are now in the advanced stages of preparing what has been heralded as a major reform in education.

However the major overhaul which is being contemplated is at least as much political as it is pedagogical in its aims. The military have said many times since taking office that henceforth Ataturkism, the creed of Mustafa Kemal, is the only ideology which will be tolerated in Turkish seats of learning.

The hope is that stronger dose of Ataturkish doctrine, combined with the weeding out of teachers committed to extreme left or right wing views, will help create a new generation of Turkish school children impervious to the appeal of political extremism. Turkey shares the widespread assumption of many Islamic societies that control over books and schools is all that is needed to mould the total outlook of the young.

The main goal of instilling even greater awareness of Ataturk's revolution and its principles into the young is a far cry from a proposed educational reform mooted a year earlier by the Demirel Government. This was talking vaguely of introducing Islamic religious classes, with instruction in Arabic language, at all levels of the system from the beginning of primary school. This would have been a virtual reversal of everything Ataturk stood for.

The military say they are also determined to improve equality of opportunity within the system (which is still heavily biased in favour of Western Turkey and the three major metropolitain centres) and that they want vocational and technical education spread more evenly across the country. Improvements are promised in foreign language teaching (which lags far behind the country's needs) and science. But pronouncements so far make it clear that the rewriting of textbooks on history and political subjects may constitute the brunt of the effort.

Until the new education law is passed it will be hard to judge the reforms. But drafts of a new university law have given a taste of what could come. They foresee abolishing the cherished automony of the universities and reducing the powers of university staff. They say a professor or lecturer absent for 10 days will be deemed to have resigned and demand they clock in at 8.30 am. University fees for students would be introduced.

A major turning point may come on June 23 when the National Educational Council, a kind of teachers' parliament, meets for the first time in six years.

Problems

Meanwhile the need for a drastic readaptation is obvious. Turkey's schools and institutions of learning are beset by grave problems of both quantity and quality.

Quantity is an issue simply because there are too many people coming into the system each year for it to be able to educate them properly at the present level of resource allocation. Turkey devotes a lower proportion of its GNP to education than any other European country. Yet 60 per cent of the population is aged below 20 and the number of students in high schools rose fourfold between 1960 and 1975. There is a shortage of vocational schools and the jobless, prospectless lycee leaver, with no hope of ever matching his aspirations in modern society and divorced from his rural and traditional background by his modern school and exposure to the mass media, is one of the key figures of the recent upheavals in Turkey.

It was from this stratum that the terrorist gangs recruited their membership all over the country.

Teachers' training facilities also pose a problem which is not merely educational. During the 1930s, the new teaching profession carried Ataturk's reforms into the heart of the countryside. They were missionaries of radical modernisation, often coming into violent conflict with the village imam and aga (landlord). Their radicalism took a more leftward turn in the 1950s and afterwards when conservative groups were in the political ascendant. Impoverishment further contributed to radicalisation. For many sons of peasant families or landless agricultural workers, becoming a teacher was the easiest way of escaping from the soil. But it was a temporary, unsatisfying and underpaid escape.

The lowly economic status of the teacher contributed to teachers' movements becoming increasingly politicised. TOB DER, the main professional association, was closed down at the time of the coup just as its predecessor TOS had been closed down after the last military intervention. It is unlikely to be reopened.

Quite apart from the numbers of students coming into the schools and the problems of creating schools and teachers for them, the Turkish curriculum and syllabus are open to criticism on many fronts. Based on 19th-century French models, the curriculum provides for the teaching of too many subjects at too superficial a level: even when there are sufficient teachers to man the classrooms, which is not the case in many Anatolian lycees.

As a result, critical or innovative thinking is discouraged. Learning by rote from text books predominates. The number of Turkish school leavers who have an adequate grasp of their own language and can express themselves effectively in it (let alone do advanced problems in mathematics or physics) is very small. The prestige of the humanities is low.

Recent trends in Turkish educational practice, partly inspired by Western example and partly by the need to cope with enormous classes, have not helped. Many exams take the form of multiple choice tests. Intelligence tests have come to play a major part in university entrance exams, partly because it is assumed that students with provincial backgrounds will be very weak in all formal disciplines.

The military meanwhile are pressing ahead. To enshrine their changes in the system, they are setting up a National Educational Trust, chaired by the present minister. It will rely on voluntary contributions and potentially will offer a vast range of education services from the writing of textbooks to the building and equipping of schools. Businessmen and others can buy seats on the trust and these seats can be bequeathed. But the trust is only open to newcomers for the next year. Critics of the trust, who are headed by former Premier Bulent Ecevit, claim the Educational Trust take power out of the hands of future governments and ministers of education and place it in those of the trustees of the NET. There will be a self perpetuating group.

Widespread

A second, less controversial project has been the launching of a new mass literacy programme. Illiteracy is still widespread in Turkey, even though over 90 per cent of eligible children now attend primary school.

Estimates vary sharply, but about one quarter of adult men and nearly half adult Turkish women are still illiterate. Literacy rates diminish among the elderly, among women, and among the country's eastern inhabitants. Spreading literacy in Turkish is expected in eastern Turkey to reduce separatist sentiments among the largely Kurdish speaking population. But it is not yet clear that the programme will have much impact.

The most sensitive educational problem for the military is that of religious vocational education. During the 1960s and 1970s Turkey's conservatives invested heavily in religious education, believing that a trained clergy would be a bulwark against the spread of Communism. But the outlook which has generally prevailed in such schools has generally been closer to that of Dr. Necmettin Erbakan than that of the founder of the Turkish Republic, who virtually banned religious education.

Turkey's soldiers are caught in a dilemma. They want an educational system which will not be Islamising or traditionalistic but will not steer the young towards political activism on the Left either. Given the country's social and demographic problems, this may turn out to be an aspiration which will not be able to hold its own for long.

Yasar Kemal

LAST WEEK saw the publication in London of Yasar Kemal's "The Saga of the Seagull." It is his eleventh book to appear in Britain and the 112th edition abroad of the works of a man who tells, like no other, the tale of Turkey under change.

A warm, ebullient 58, he is happy to describe the 15 books he has in mind to visitors to his apartment up the Bosphorus. These are for the future, but it was in the 1950s that he set his stamp on Turkish literature with his first novel, "Memet my Hawk," the story of a village lad who takes to the hills to champion the landless peasants.

His 25 books since this describe the people and life of Anatolia and the effects on these of what the West knows as progress. Many are set in his homeland, the Cukurova plain in the south, and movingly evoke the dust, the heat and the struggles of the area as cotton and tractors came in and traditions, brigandry and the nomads went out.

The power of his writing derives from his long years wandering and working in Anatolia. He has won the prize for the best foreign work in France and in Sweden where he lived, has been nominated for the Nobel Prize. What Kazantzakis is to the Greeks, he is to the Turks.

Mr. Kemal was born one year before the Republic was formed in 1923 but he has drawn on traditions going back to Homer. As a youth he was struck by the storytellers who used to travel from village to village and at one point his own skills almost led him to become a minstrel. His vocabulary is one of the richest in Turkish writing and he has used the epic tradition to bring the life of Anatolia into the literary mainstream.

In going so he has brought out the extent to which popular tales and poetry are an expression of revolt. He recalls as influencing him the lines: "The State has issued an edict. The edict is the Sultan's, the mountains are ours."

His own family combined both elements in that his father came from a line of feudal landlords and his mother from brigands. At the age of five he was to see his father assassinated in the village mosque.

Writers have often had problems in Turkey, and most of Turkey's leading recent writers have spent years in prison, but Mr. Kemal only had a brief spell behind bars in the 1950s.

He calls himself a Socialist and in the 1960s was one of the leading members of the Turkish Workers' Party. He has also been active in Turkish writers' associations. He appears to have suffered less than many writers because of the drop in book sales since the military took over.

As for the present, he insists that he has avoided politics in recent years: "I have too many works in my mind to be able to afford distractions."

David Tonge

A land of poverty stripped of its former glory

EASTERN TURKEY

METIN MUNIR

EIGHT MONTHS after the coup, Mr. Hasan Celebi, a 24-year-old Kurdish aga (landlord) in Siverek, still carries a pistol in his belt and is afraid to go out unaccompanied. His home is ready for siege.

The basement windows of the large, century-old stone building on a narrow, cobbled back street, have been completely bricked in. The windows on the first floor only have box-like openings through which attackers can be fired on. The main gate, opening into a spacious courtyard surrounded by high walls, is of solid wood reinforced with iron bars. When one knocks on it, the head of a sentinel appears somewhere on the roof to make inquiries before the door creaks open.

"The Apoists are to blame," said Mr. Celebi, a slight man wearing baggy trousers. He sat on a tiny stool, inches from the floor, his 10-year-old son in his lap. About half a dozen of his men squatted along the wall in the shade, smoking silently.

"They want to do away with the agas and bosses. They raid, murder and oppress."

Mr. Celebi is a member of the Bucak clan, one of the most powerful of the Kurdish clans which live in south eastern Turkey. Their home is in Siverek, a town of about 50,000 people, in the province of Diyarbakir. The Bucak also own some 80 villages around Siverek, together with the peasants, houses and land.

About three years ago Siverek and its environs became a battleground between the Bucak and the Apoists, a Kurdish Marxist underground group, organised by a dozen Kurdish university dropouts. The feud started after the Apoists made an unsuccessful attempt to kill Mr. Mehmet Celal Bucak, a right-wing member of parliament and the head of the Bucak clan, as he was breaking fast during Ramadan at a relative's village house.

The Apoists fought to liberate the peasants from the centuries old yoke of the agas. They also dreamed of setting up an independent Kurdistan in the Kurdish-populated south eastern regions of Turkey, along the borders with Syria, Iraq and Iran.

The Kurds make up an estimated seven million of the 45 million population and regions settled with them correspond to about 30 per cent of Turkey's territory. These are the most backward regions in Turkey, where in many regions agas and sheiks rule with the support of the Central Government.

Barren

The land is mountainous, barren, and thinly populated. The standard of living and income are much lower than the other parts of the country.

The greater part of the region is drained by the Euphrates and Tigris Rivers which run in gorges cut deeply into the surface. Land is devoted to dry farming for cereals and there are large areas of grazing used by both cattle and sheep. But a massive irrigation and hydro-electric dam is now planned, the Ataturk dam. This could cause the huge Haran Plain in upper Mesopotamia to become a major centre for Turkish agriculture.

The major cities of the region like Gaziantep, Urfa and Diyarbakir have a long history as trading centres, but are now mainly markets and administrative centres without much of the lustre of their former glory.

The poverty of the land is aggravated by the unequal distribution in land ownership, a heritage of the Ottoman times. According to one calculation, less than 3 per cent of the south-east's population own a third of the arable land.

Nearly 40 per cent own no land at all while the rest own small, uneconomic plots. Only about 10 per cent of State investments and under 3 per cent of private investments in an average year are made in the south-east. Under 3 per cent of total industry is here.

Mechanisation of farming has been faster in the east than in the west, depriving many peasants of their livelihood and forcing them to emigrate to cities in other parts of the country.

The rich prefer to invest their earnings in the west, depriving the region of the funds that could contribute to its development.

The Apoists are but one of about half a dozen Kurdish secessionist groups which sprang up after the mid-1970s, as political terror became a part of daily life in Turkey. Until the army seized power these flourished, creating no-go areas in a number of towns like Siverek, where Ankara had virtually no control. Hundreds of people were killed as the terror groups fought the aga and the army and police. As in other parts of Turkey, the common folk were forced to take sides. If they refused they either had to live or go elsewhere.

Siverek's population dropped by nearly one-third. Even now, many shops are still barred and many houses empty, despite the presence of a large number of troops.

"I own nine villages," said Hasan Celebi. "The Apoists forced away the peasants from seven of them. They told the peasants that if they continued to work for me they would be killed. In some of the villages they carried out their threat. I have 30,000 acres of land. I was able to plant only 2,000 acres."

Other people in Siverek protect the Apoists and condemn the Agas.

"The Agas oppress the people, rape their women, steal their harvest, murder those who raise their heads," said one.

Terrorists

According to the Government, the Apoists are terrorists who formed armed gangs to annex the south eastern regions of Turkey. About 450 of them are standing trial in Diyarbakir and about 2,000 others are in gaol being interrogated. They are being charged with murdering 243 people in the last three years and financing themselves through banditry.

The coup has brought calm to the whole of Turkey, including the south east. There is a drop in the number of terrorist acts and people are beginning to return to their homes.

Probably recognising the social and economic ill which led to the separatist movements and terror in south eastern Turkey, the military regime is conducting a study of the region. A land reform Bill is being drafted and should be placed before the ruling National Security Council before the end of summer.

Wealthiest region relies on farming and trade

THE AEGEAN

METIN MUNIR

THROUGHOUT history the Aegean has been a prosperous region where civiliations flourished. It appears to ride out Turkey's economic crises more easily than areas such as Istanbul.

"As far as we are concerned the crisis is over. We are expanding, exporting and investing," says Mr. Ali Nail Kubali, the deputy director of Yasar Holdings, the large Izmir based group comprising Turkey's largest dairy and hotel, and a virtual monopoly in paints and chemicals, fertilisers and beer. Executives at the main local newspaper Yeni Asir reflect this optimism. "We are used to being number one in the Aegean. Now we plan to be number one in Turkey," they say.

The port city of Izmir, in ancient Smyrna, is in that part of Asia Minor where classical civilisations, particularly Greek, had their greatest impact.

Many of the best known classical sites, Pergamum, Epheus, Telmessos, Miletus and Didyma are in this region. The Meander (Buyuk Menderes) and Hermus (Gediz) valleys are still famed for their agricultural wealth.

Traces of Izmir's old mercantile wealth remain in the stately homes in the Bornova district. Owned by Scottish, English, Italian, Jewish and Greek merchants the Bornova Mansions are now completely overtaken by vegetation and the ravages of time. Fire destroyed much of old Izmir in 1922. Now a modern spacious town rises above the slightly noisome waters of Izmir harbour. It has expanded under the republic and is the third biggest city in the country. The flags of Nato's 17 nations flutter in the breeze on the sea front to mark where it houses Nato's south-east headquarters.

The Aegean is Turkey's wealthiest region, thanks primarily to agriculture and trade.

Large alluvial lowlands, among the most extensive in the country, mild winters and hot summers combine to mean the Aegean produces more, in value terms, than any other region of Turkey. Its population densities are also among the highest in the country.

High-value crops

The farmland is primarily devoted to the production of high-value Mediterranean crops. The Aegean is responsible for 60 per cent of Turkey's tobacco, 90 per cent of its olive oil, 35 per cent of cotton, and practically all its figs and sultanas.

Izmir, Turkey's largest port after Istanbul, dominates the region. The Gulf of Izmir is one of the best natural harbours in the Aegean, protected as it is from the open sea and free of silting. Over the past two decades the city has started to industrialise. The industry is mainly agriculture-based, but new groups like Yasar Holdings are beginning to spread into other fields. Aliaga in the north of the city is one of the country's three refineries. It was supplied by the Soviets.

One of the major plants in the area is BMC Sanayi, an associate of Leyland Vehicles which in 1980 made 3,066 lorries, 696 pick-ups and 361 tractors. It has the only fully-integrated diesel engine plant in Turkey. Last year its bill for imported parts from Britain came to $20m, while it earned $4m in foreign exchange by exporting lorries to Cambodia and Britain, tractors and spare parts. It is now going to sell small tractors to Britain, replacing a model previously made by BL at Bathgate in Scotland. This is now concentrating on larger tractors.

Apart from sales to Britain, Mr. Ziya Ozkan, the plant's general manager, says the firm is pressing the issue of third world exports. "This year we will take part in 12 trade fairs. We have entered the markets of Zaire and Saudi Arabia. It is a beginning."

The classical sites, clement climate and the lovely coast make the Aegean one of the most important for Turkish tourism. The new international airport in Dalaman, Mugla, will be completed at the end of this summer, giving easy access to such places as Bodrum and Marmaris. An international airport is under construction in Izmir.

The rate of urbanisation in Izmir, which has a population of under 1m, is the lowest of any large Turkish city. Peasants are content to stay on their own farms, which are bringing them higher returns every year as a result of more intensive methods of farming and higher market prices. The distribution of land in this region is fairer than others — feudal landlords, the bane of life in the south east do not exist here, neither does the dire poverty, ignorance and tyranny that goes with it.

The Aegean has other distinguishing characteristics which aid prosperity: the birth rate is lower, infrastructure better, and the quality of life is higher. Political terror did not affect the region as severely as it did in other parts of Turkey, although some of the most violent workers' riots occurred in Izmir in the state owned Taris textile plants.

Izmir itself is luckier than the other cities. More than 80 per cent of houses have electricity — double the national average. Ownership of cars, television sets, radios, refrigerators and similar household goods is equally high.

Growth rate highest in Europe

POPULATION

CHRIS SHERWELL

TURKEY'S GENERALS are so worried by the country's high rate of population growth that they are considering whether a new policy is needed. They have already ordered a family planning *education programme* within the army itself, something never done before, and Turks can soon expect advice along with commercials during their *favourite* television programmes.

At 2.3 per cent a year, the net rate of population growth in Turkey is easily the highest in Europe. It means that more than 1m people are added each year to the present total population of over 45m—or, as one top-level businessman anxiously points out, 300 more children at the national breakfast table every day.

Some 60 per cent of Turkey's population is under 20 years of age. Turks are leaving the country in droves in search of opportunities elsewhere, and as many as 1m now work abroad. Internal migration has accelerated, and the flight from the land has intensified the strain on services in the crowded cities.

The ratio of urban to total population soared to 44 per cent last year. In 1950 it was under 20 per cent, and in 1990 it is expected to be over 60 per cent. Istanbul's population is officially under 5m, but local residents put the number in the larger conurbation far higher. Ankara's Ataturk Boulevard is as busy as the Champs Elysees it seeks to emulate, while Adana in the south could soon overtake Izmir as Turkey's third city and is probably the country's fastest growing centre.

At one level Turkey's population problem seems to be no cause for concern as it is one of the few countries in the world that can feed itself. But the all-important need to export in order to pull the economy round may have to go unsatisfied if increased output must be used to meet the demands of an exploding population.

Of seemingly greater comfort are statistics which suggest that Turkey's people are more progressive in their thinking than the successive governments which have refused to get to grips with the issue. Fertility surveys conducted every five years since 1963 show that a *relatively small-sized family* is now becoming the norm in Turkey, even in rural areas.

Modern methods

Ninety per cent of "ever-married" women, for example, say they want only two, three *or even four children*. Of those already with three or four children, a significant proportion did not want their last child. More than half of all women in Turkey, moreover, already practise some form of contraception.

The need would thus appear to be less to convince people to limit their family size than to educate them in the use of more modern contraceptive methods. But there must still be concern that the number using modern methods are so tiny, that effective dispensing and use of contraceptives depends on such factors as the gender of the person doing the dispensing, and that *it is still possible to find men* in Turkey with three wives and 22 children.

Abortion and sterilisation remain illegal in Turkey, although it was found as long ago as 1959 that the majority of maternal deaths in Turkish villages were actually caused by *abortion*. An abortion law might, however, win broad public support in Turkey at the moment. Certainly the present government of soldiers and technocrats appears more receptive to the idea of a comprehensive population policy than the politicians they replaced.

Some *of these politicians still* believe that Ataturk's reasons for boosting Turkey's population in the 1920s and 1930s, when manpower was short, still apply. The Law on Population Planning—finally passed and extended in the 1960s—did not bring their arguments to a close, even though it lifted the ban on contraceptives and created a *family planning programme*.

Even now some rightists believe Turkey needs a population equal to the Soviet Union's, or that manpower is still needed to boost industrialisation, or simply that family planning is immoral, unethical, atheistic or dangerous.

If the reverse case is more compelling and Turkey's economy cannot afford a high population growth rate, it is still remarkable that the Government appears ready to consider a population policy at all. Like the land reforms it is also contemplating, population is a long-term matter, hardly *crucial* to the immediate future of democracy in Turkey. But it is an issue Turkey's generals seem prepared to embrace.

Turkey's burgeoning school population with a picture of Ataturk, whose principles they learn early

Regime to uphold secularism

RELIGION

ANTHONY McDERMOTT

SECULARISM—or the disestab*lishment of Islam in Turkey*—was one of Ataturk's Six Arrows, the policy planks of Kemalism. To judge by his own words in the biography Grey Wolf he felt strongly about the issue.

"Islam," he said, "this theology of an immoral Arab, is a dead thing." and "A ruler who needs religion to help him rule is a weakling. No weakling should rule."

It is an earnest of the *intentions of the military* commanders, who took power last September, to uphold this Arrow as firmly as the other five; that Professor Necmettin Erbakan, leader of the suspended National Salvation Party (NSP), and 33 of his supporters, were put on trial last month. *Professor Erbakan* was charged with acting against the secularist principles of the Constitution, and with trying to change the political foundations of the state. His sentence could *be 36 years in jail*.

This trial reflects military concern on two levels: first, that Islamic fundamentalists might get *the idea, as in Iran and* Pakistan, that the state could and should be run on the basis of a Koranic constitution: and second, that by exploiting sects and minorities they could present a direct challenge to the law and order which the military are trying to enforce.

On the face of it, the political record of the NSP would not support those fears. Formed in January 1970 by Prof. Erbakan *as the* National Order Party, it was closed in May of the following year on grounds of violating the constitution's rulings on parties through anti-secular propaganda. It was re-established in 1972 as the NSP, and drawing its support from the poorer areas in south-*east Turkey it won* 48 *seats in* 1973 elections. This fell to 24 seats in 1977, but this was enough to qualify the party for inclusion in both Demirel and Ecevit cabinets. Professor *Erbakan was a deputy Prime* Minister to both men.

The prosecutor in Prof. Erbakan's trial charged that he was behind a series of meetings between 1978-80 at which hundreds carried banners proclaiming "the secular state will be toppled" or "The only way is Islam." In August, the last straw for the army was Mr. Erbakan marching through Konya, Turkey's religious *capital*, under banners *in* banned Arabic script with some 80,000 supporters, many wearing — equally banned — turbans, *calling* for an end to secularism. One group refused to stand up for the national anthem. Shops selling beer were stoned.

In spite of incidents such as these, and, in spite of the dislocation caused by terrorism and an acutely depressed economy, it is hard to conclude that Islam is more apparent as a direct and concerted anti - Government force or dramatically in practice than it ever has been in a population of whom 98 per cent are Moslems. True, on Friday mornings in ministries work stops at mid-day for prayers in the corridors. Outside Ankara, buses are likely to stop for the same purpose. Perhaps more young women wear scarves wimple-style, and men beards. *In the south-east* more *women* wear either colourful or more stately blue chadors. The call to prayer is sung out five times a day in Arabic—which was re-introduced in 1950 after being proscribed by Ataturk, who ordered the call to prayer to be proclaimed in Turkish.

Exploitation

But there is no evidence that there are either politicians with *the national charisma or overall* national circumstances they could exploit to create an Iran or even a Pakistan. With fair precision, a Turkish official has summed it up that Turkey has "no shah, no Savak, no ayatollahs."

More disturbing should be the fact that political parties in particular from the right have exploited inter-sectarian religious tensions. In broad terms, two-thirds of Turkey's Moslems *are Sunnis and the rest mainly* Shi'ite Alevis. The latter tend to be found in the poorer areas and have allied themselves more with the left. This is partly because their interpretation of Islam has always tended to be more radical, but also because, as a minority, they would prefer to be associated more closely with a secular oriented Government than a right-wing Government whose allegiances would be closer to the Sunni majority.

There have been two disturbing examples, in particular, of this. The first occurred at Christmas in 1978 at Kahramaras in southern Turkey *when riots broke out between* orthodox Sunnis and Alevis. In July of last year, more than 60 people died and Alevis fled their homes in Corum, north-east of Ankara. The Sunnis tended to support the right-wing parties, the Justice Party and the neo-Fascist National Action Party, while the Alevis have traditionally supported the Republican People's Party, formerly headed by Mr. Bulent Ecevit.

The main reason for the endurance of Turkey's secularity is the extent to which Ataturk assaulted its entrenched positions, and the subsequent *realisation by most politicians* that it was a force better kept directly out of politics. In the results of elections this view has been broadly shared by the electorate. In a period of four years between 1924 and 1928, Ataturk dismantled the Caliphate, abolished the religious *courts, and the wearing* of the fez, subjected the religious hierarchy to the civil service, nationalised the vakif or religious endowments, and closed the dervish religious orders.

Crippled

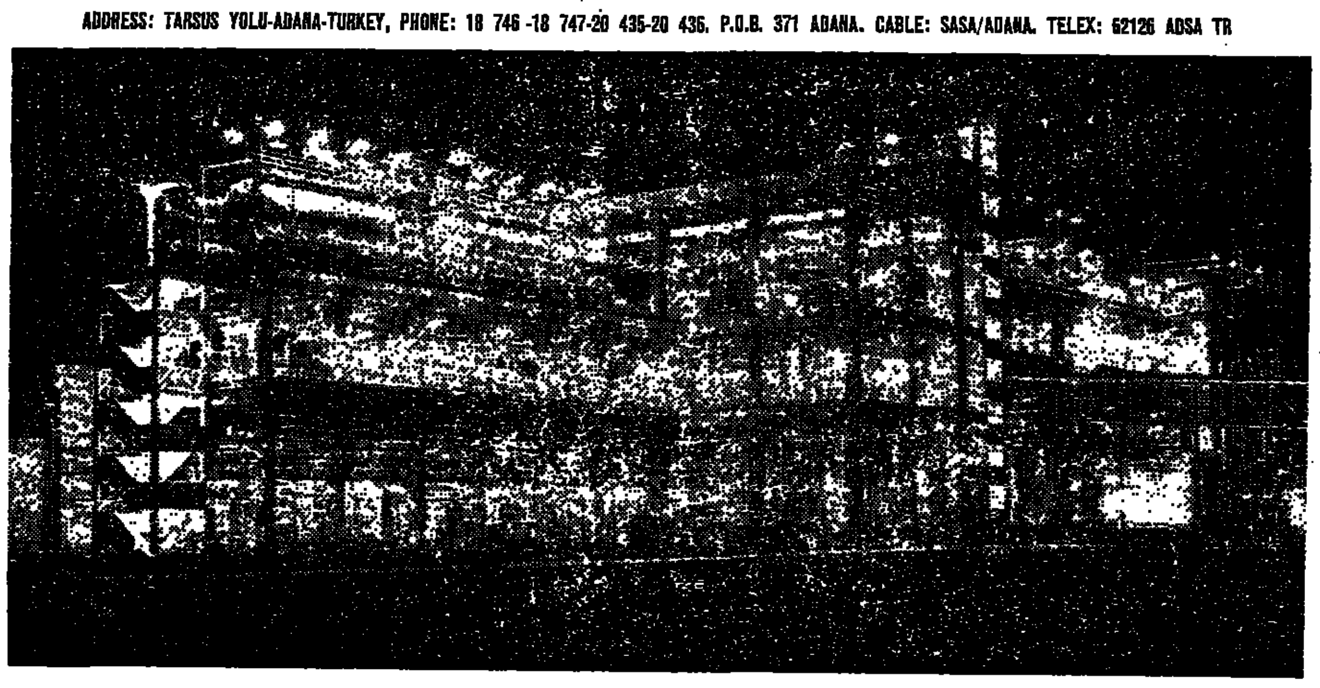
In 1928, Islam stopped being the official religion of the state. Islam has remained—barring the occasional outburst—crippled as a political force, and its senior officials come under the office of religious affairs, which is in turn attached to the Prime Minister's office. The 40,000 or so Imams, literally prayer leaders, and 1,500 muftis are Government appointees.

At the same time as upholding Ataturk's secularism, successive governments—including the present one—has been prepared to overlook its own rules in relation to the dervish orders such as the Nakshibendis, the Mevlevis, *Bektashis, and the more recent* comers, the Suleimancis and Nurcus. They are, in theory, illegal as well as being secret societies, although some of their rituals have been downgraded to tourist performances.

At Hacibektash, a 6,000 population market town in the *middle of a broad agricultural* plain 150 miles south east of Ankara, there is an attractive shrine, mosque, museum and courtyard visited by thousands of people a year paying tribute to Haci Bektash, himself the some times disputed, founder of the order. Officials accept that the Bektashi order in its more relaxed attitude towards Islam (and most Bektashis are Alevis from small towns and villages), *with some input from Christian* and pagan rites, and with its more relaxed attitudes towards mosque attendance, fasting and abstinence from drink, provides a spiritual and social service outside some of the stricter confines of the more orthodox branches of Islam.

In the end, if there is a certain sort of religion-cum-ideology being re-fostered, it centres around the author of laicism in Turkey, Ataturk. At *Istanbul airport last month as* part of the centenary celebrations of his birth, a leafy shrine was being erected in the departure hall.

A *huge, hollow* bust—frisked like anyone else as it passed through the security checks—was set up in its midst. Behind was hung the red national flag with white crescent and star—but in such a way that the crescent formed a neat halo over the head of the Father of the Turks.



A difficult market which has plenty of business to offer

TRADING

NORMAN COVEY

WHEN TURKEY is mentioned to any group of British business men, as many will say "Why trade with Turkey?" as will admit to doing regular business with this difficult but potentially important market of 45m people. There has not been a foreign trade surplus since 1946 and Turkey has long suffered and still suffers, from a chronic shortage of foreign exchange.

In the 1950s and again at the end of the 1960s payments in respect of imports fell badly into arrears and big debts piled up. These debts were eventually settled: the use of cotton exports to settle some of them was to establish Turkish cotton on Liverpool and other exchanges. But there were obviously some very disappointed suppliers who vowed never again to trade with this EEC-associate. Even bigger debts in respect of imports were incurred between 1977 and 1979. However, the majority of these were for shipments for which export insurance cover had been secured from the Government agencies concerned. On the other hand, some $1.2bn is due to uninsured Western exporters for shipments made between 1977 and 1979.

Settlement

About 80 per cent of the many thousands of creditors concerned have formally accepted one of the two forms of settlement which were on offer until the end of last October. Settlement in foreign exchange over a period of 10 years was offered as the alternative to payment in limited-use Turkish liras within two years.

It would be useless to deny that the accumulation of these debts has not badly dented Turkey's credit ratings abroad, but a sense of proportion is necessary. Probably about 60 per cent of the total amount unpaid according to the Central Bank's books has actually been settled by the importers concerned through the so-called "parallel market"; many other suppliers shipped at prices which included provision for long-delayed settlement and yet others are receiving (unofficially) compensation for interest charges.

The hard-core debt is probably of the order of $600m but this includes amounts due to regular suppliers to Turkey who took a calculated risk to maintain their presence in the market.

There are, of course, other deterrents for would-be traders with Turkey. Despite recent moves towards liberalisation, the regulations governing both imports and exports are complex and stringently applied; the foreign exchange regulations, which are still based on a law passed in 1930, have been so often amended that even the experts are often baffled as to which piece of paper and how many different signatures are needed for a particular transaction.

One of the shortcomings of the 1954 Law for the Encouragement of Foreign Capital Investments (Law No 6224) has been that it is generous in its provisions but these were so framed that their application has depended (until lately) almost entirely upon the policies and attitudes of the Government at the time each investment application was made. As a result, up to the end of 1979, less than $400m had been invested in 26 years and there were then only about 100 investors.

Although by the end of the 1950s standards had been adopted and accepted abroad in respect of most of Turkey's staple exports — such as cotton, tobacco, sultanas and hazelnuts —the range of exports has grown rapidly in the past decade and it is an unfortunate fact that a few get-rich-quick, irresponsible exporters have given some of Turkey's manufactured goods a bad name in foreign markets.

So, in the face of all these difficulties, why trade with Turkey?

In the first case there is the sheer volume of trade involved. Turkey's foreign trade totalled $10bn in 1980 and the official forecast for 1981 is a total of $12.5bn, made up of imports of $9bn (including oil purchases estimated at $4.25bn), and exports of at least $3.5bn.

The continued injection of Western aid for the current account—in addition to project aid, of which there is usually something like $1,500m in the pipeline—and the very real efforts being made at all levels to ncrease exports, have greatly improved operation of trading rules. Import licences for raw materials, spare parts, capital equipment and other essentials are now being issued with little delay, the quota system has been abolished and currency transfers are being effected within 10 to 40 days as a general rule.

Practically all business is now being done on a Confirmed Letter of Credit basis although the way has recently been opened for the greater use of Acceptance Credits for various key imports. Even during the most difficult period, acceptances by the commercial banks which are authorised to maintain their own foreign exchange "position" were invariably met on time. Well over $600m worth of this year's imports will be paid for through the scheme whereby exporters of manufactured and processed goods and minerals may retain 50 per cent of their foreign currency earnings to meet import requirements. Retention rights are largely transferable and it is perfectly in order for the holder of the funds to charge a premium to the actual user.

Irritations

In general terms, the restrictions on exports have been removed and although a lot of irritating formalities remain, exporters now receive real encouragements and delays on the part of the authorities are less serious than in the past. Further export credit is cheaper than other credit.

Inevitably, there will remain a few badly-intentioned export houses but the overall quality of Turkey's industrial output has risen most markedly and other barriers in the way of those companies which do not satisfy their customers abroad.

Although practically all the new and expansion investments which have been approved so far are related to lira funds in respect of unpaid import accounts, there is now a genuine and a rational approach to foreign investment. A special Foreign Capital Department has been established.

The regulations aimed at streamlining procedures which were introduced with the January 1980 economic rehabilitation package, are expected shortly be be incorporated in the law itself; this will have the effect of clarifying the fields where investment is sought and, at the same time, it will make it far more difficult for arbitrary decisions to be taken in the future.

Another favourable development is that Turkey has at last decided to adhere to the OECD International Investment and Multinational Enterprises Code.

Finally, in so far as foreign investment is concerned, it is noteworthy that although all investors have suffered to a greater or lesser extent at one time or another from the inelasticity of "the system," not many Law No. 6224 investors have lost money in Turkey. The vast majority of them have usually earned profits which have provided a fair return as well as compensation for the frustrations, risks and difficulties which they have encountered.

For the would-be exporter to Turkey, a good, well-introduced agent is essential. If the product is capital equipment, the agent should maintain close touch with the Industrial Development Bank of Turkey and the Industrial Investment and Credit Bank, as well as with the State sector and private entrepreneurs. Because Ankara-based agents tend to specialise in government business and rarely visit the financial and business centre of Istanbul, an Istanbul-based agent may be an advantage.

After his appointment, any agent should be given a fair opportunity to prove his worth. In so far as capital equipment is concerned, principals should be prepared to assist potential customers with plans, drawings and even feasibility studies to help them negotiate for investment and import approvals from the authorities.

In many fields, buyers from Turkey would also do well to consider appointing a local representative to supervise shipments, especially when it's a question of a new supplier. Indeed, there are very many exporters who prefer such an arrangement to obviate the possibility of misunderstandings or subsequent claims.

The present Government is dedicated to a policy of economic and foreign trading development and has pledged itself to ease the lot of the businessman, manufacturer and investor. Difficulties will remain for a long time to come; this is inevitable when it is borne in mind that the bureaucracy was weaned on restrictions and red tape.

But already there have been improvements. Why trade with Turkey? Because there is business to be done.

Norman Covey, who used to be the Financial Times correspondent in Turkey, was Secretary of the British Chamber of Commerce in Turkey from 1948-80.

A businessman's guide

Britons favoured

BUSINESSMEN from Britain are beginning to be favoured in dealings with Turkey. In Istanbul they can draw on the long experience of the British Chamber of Commerce of Turkey, set up in 1887 and still going strong—after, like all associations being temporarily closed after September's coup. Its address is P.O. Box 190, Karakoy, Istanbul, telephone 490658.

In London they can turn to a new venture, the Turkish British Chamber of Commerce and Industry in the UK. Set up last July, this is now carrying out a membership drive which has brought it some 150 members. Fees are not cheap—£100 for full membership and £50 for associate membership—but the Chamber's President, Mr. Melih Berkman, says that it will provide the full services of a chamber of commerce, business introductions, and ideas.

It aims to provide facilities for documentation acceptable to the Turkish authorities to cover the flourishing trade between the two countries. Its offices are at 43-44 New Bond Street, London W1, telephone 01-409 2129.

"There was a lack of public relations on the opportunities Turkey provides. Our aim is to make up for this but adopting a hard-nose business approach to the problem." Mr. Berkman says. The chamber groups most of the leading Turkish businessmen in London with a number of companies dealing with Turkey.

D.T.

Taxis

It is no longer necessary to begin a visit to Istanbul and Ankara with the agony of haggling over the cab fare to the hotel. Taxis still don't have meters, but at Yesilkoy Airport (Istanbul) and Esenboga (Ankara) there are counters where travellers can buy "tickets." Travellers are required to tell the man in charge where they will be going, pay the official rate and give the ticket to the taxi driver upon disembarking. The system does not work on the way back, but the initial fare should give the traveller some idea of price. Taxis of the hotels are more expensive than others. Doormen have fare lists and should be consulted.

Ankara

Hotels

The Grand Ankara Hotel (telephone 171106, telex 42398) remains the only luxury hotel in the capital. Dedeman (telephone 171100, telex 42408), Mola (telephone 183140, telex 42294), and Tunali (telephone 278100, telex 42142). Hotels are all centrally placed, clean, efficient and less expensive.

Restaurants

The Kristal is probably the best restaurant in Ankara, offering a mixture of Turkish and European food. A meal for two with a bottle of wine is around £12. Ataturk Orman Ciftligi Lokantasi (Telephone 233230) also offers delicious foods from the Turkish cuisine: it is located 20 minutes' drive outside town. Other restaurants which can be recommended for business lunches or dinners are the RV (Telephone 270365), Kral Ciftligi (Telephone 275087), Yakamoz (Telephone 183586—for fish, meze and violins) and Liman (Telephone 302725). Cin Lokantasi (Telephone 284341) offers good Chinese food.

Business contacts

The Chamber of Commerce and Industry is available for advice and information. Ministers and civil servants are generally accessible and helpful, as, in particular, is the Foreign Capital Department of the State Planning Organisation, head Mr. Husnu Dogan, Telephone 298421. The major countries have commercial attaches who have good contacts among the business community and in government circles. There is a good EEC office, now headed by Mr. Robert Cox. Telephones 276145/6. The State Statistics Institute provides good but late statistics.

Telephone and telex

For overseas calls it is necessary to book a call through the international exchange (240325), which is efficient and generally fast. The average waiting time for London is between 30 and 60 minutes. Telex lines are usually good but may break down for some times as long as three days. Communications are faster in the morning and late in the evening. Hotels in Ankara do not have direct dialling facilities in their rooms.

Pastimes

Ankara is not an interesting or attractive place. The Museum of Anatolian Civilisations, small but one of the best in the world, is a must. The mausoleum where Ataturk, the founder of Turkey, is buried, is also well worth a visit to gauge the esteem in which he is held.

Istanbul

Hotels

The city has three large international hotels which are centrally located: the Hilton (telephone 46 70 50, telex 22379) Sheraton (telephone 48 90 00, telex 22729) and the Marmara Etap (telephone 448850 Telex 24137). Companies who send businessmen to the city regularly can have special accounts in these hotels which offer discounts from 40 per cent upwards. Grand Tarabya (telephone 621000, telex 26203) and Yenikoy Carlton (telephone 621020, telex 26260) are on the Bosphorous and are for travellers who do not mind commuting to the centre. There is a variety of smaller, good hotels of which the best are Etap and Pera Palas (telephone 45 22 30, telex 24152) where Agatha Christie and Kim Philby have both stayed.

Restaurants

Istanbul offers a large number of excellent restaurants. The city is famous for its fish. Newcomers are advised to consult friends (or waiters) as to which fish to eat as fish is seasonal. Tarabya offers a number of Bosphorous-side fish restaurants of which Facyo is noteworthy. The restaurant of the Divan Hotel (telephone 46 40 12) is one of the best in town and ideal for business lunches. Camdan is the finest and probably most expensive restaurant and bar in town. It also provides after dinner disco music.. Abdullah (telephone 636406) and Sureyya (telephone 635576) have delicious food and are in the top category. Rejans is recommended for its Russian cuisine and fin de siecle atmosphere. There are many bars. The one at the Bebek Hotel is recommended, particularly around dusk.

Pastimes

Istanbul, astride two continents, and seat of the Byzantine and Ottoman empires, is one of the world's eternal cities. The Blue Mosque, Topkapi Palace, Santa Sophia Church, Kariye Mosque and Dolmabahce Palace are among the better known of the dozens of historic places of interest and museums. A taxi ride across the Bosphorous Bridge is recommended, but particularly memorable is a leisurely boat trip up the Bosphorous or to the lovely Princes' Islands where Trotsky once lived. The covered market in old Istanbul is well worth a visit.

It is now possible to directly dial many capitals from some districts of Istanbul. Hotel exchanges are generally excellent. Telex is direct to many countries and available in all larger hotels.

Business contacts

The Industrialists' and Businessmen's Association of Turkey (TUSIAD — telephone 462412) can provide excellent services. The Chamber of Commerce and Industry (telephone 18 10 02) is useful, while good advice is available from the British Chamber of Commerce in Turkey, acting secretary Mr. Ilter Koral, telephone 40 06 58. Foreign banks such as Citibank (66 90 82) can be of great help.

M.M.

Pronunciation

IN THIS survey, names have been given largely as they are written in Turkish. However, it is not possible to include the cedillas under some letters 's' and 'c.' These cause the letters to sound as 'sh' and 'ch.' A normal 'c' is pronounced as 'j.'

Nagging doubts about U.S. nuclear policy

THERE was a bit of a flap nine months ago when some people got the idea that the United States had switched its nuclear weapons strategy from deterrence to war fighting. They were wrong, of course—well, they were probably wrong—and a lot of experts hastened to tell them so. But the controversy over U.S. nuclear strategy, as over the rest of its foreign policy, refuses to lie down, and it's been given a new fillip by the International Institute for Strategic Studies.

The flap started when Harold Brown, then Defence Secretary, revealed a new refinement of existing nuclear doctrine, called Presidential Directive 59. This was designed to enhance deterrence, by giving a wider range of limited, pin-point retaliatory strikes, rather than massive retaliation. It was not a radical new departure, he said.

But his speech included some disturbing phrases. "We are necessarily giving greater attention to how a nuclear war would actually be fought by both sides if deterrence fails. . . . In our planning we have not ignored the problem of ending the war." In other words, it's deterrence unless deterrence fails; then it's war fighting.

In an era of nuclear parity, when both super-powers have second-strike capability, and when relations between them are at a 20-year low, it is not surprising that the U.S. should think through the consequences of a failure of deterrence. But it is equally unsurprising, considering that there are some strange fellows in the Reagan team, that a growing number of people, especially in Europe, should wonder whether they oughtn't to be worried.

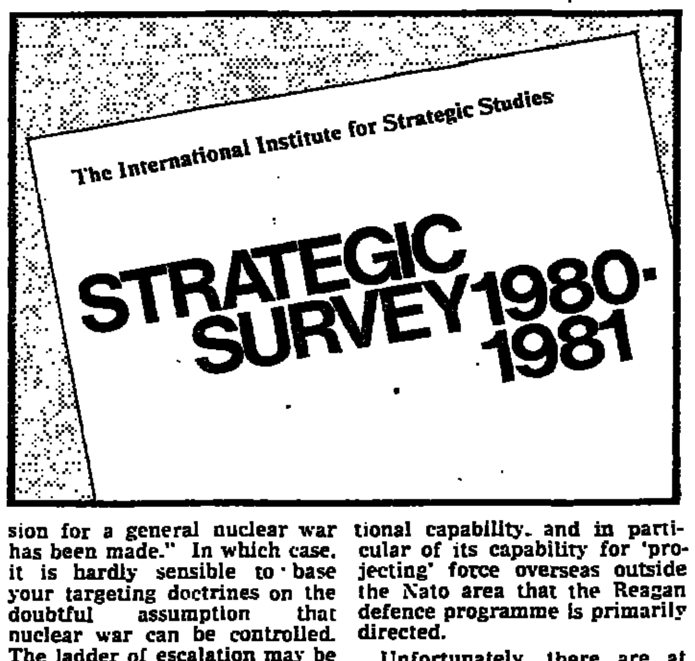
Nine months ago, the experts at IISS were among those who tended to put a soothing gloss on PD59. But their latest assessment of the American doctrine, in this year's issue of *Strategic Survey**, is much less soothing.

For one thing, they regret its adverse effect on Europe; it has reinforced anti-nuclear feeling in a number of countries, including Britain, Germany and the Benelux, and may make it more difficult for NATO to carry through its programme for up-dating its theatre nuclear weapons arsenal in Europe.

But their more important reservation is directed against the whole line of reasoning which underpins both PD59 and previous American doctrines, such as the Single Integrated Operational Plan of 1976, which included some 40,000 potential targets. In theory the ladder of escalatory power, from battlefield through theatre to strategic weapons, and the range of options contained in SIOP and PD59, mean that the West can match any potential Soviet threat rung for rung, and is not faced with the abyss between surrender and the holocaust.

To some Europeans, this sounds like an American plan for ensuring that if nuclear war were to break out, it could be confined to Europe. The experts in Tavistock Street take a different view: they do not believe that the American theory can possibly work

Controlled nuclear war depends on absolutely perfect operation of all command, control and communication systems. But these systems are at least as vulnerable as land-based missiles, and much more vulnerable than submarine-launched ballistic weapons. Even if strategists can bring themselves to believe in limited nuclear conflict, ordinary political leaders are likely to remain as convinced as they have always been that "too many risks and uncertainties attend the first use of a nuclear device for it to be seriously contemplated *unless* the awesome decision for a general nuclear war has been made." In which case, it is hardly sensible to base your targeting doctrines on the doubtful assumption that nuclear war can be controlled. The ladder of escalation may be useful for deterring, but not for fighting a war.



The IISS also derides those Americans who have discovered a new "missile gap" in the next few years, which will only be closed when the super-duper MX missile comes along later in the 80s. This paranoid scenario depends on incredible accuracy and co-ordination of Soviet missiles—and forgets U.S. supremacy in submarine missiles.

If America's nuclear forces *are adequate for deterrence*, and if nuclear weapons cannot in practice be used except in the context of all-out war, then a simple conclusion follows: "conventional — that is to say, usable—forces are likely to provide a more appropriate response to the conflicts of the 1980s." It is indeed, at the upgrading of America's conventional capability, and in particular of its capability for 'projecting' force overseas outside the Nato area that the Reagan defence programme is primarily directed.

Unfortunately, there are at least two major problems. The first is the serious deficiencies in the quality and quantity of American servicemen, and for demographic reasons they are likely to get worse.

The other problem is that we can as yet have no confidence that the U.S., having decided to strengthen its military forces, will adopt sensible strategies, and the IISS clearly fears the worst. "Will the United States blame the world instead of her own policies, and thus reinforce the trends towards more impatient nationalism and American unilateralism in place of western collectivity?" it asks and rather leaves the question hanging uneasily in the air.

A long-time Washington correspondent is less equivocal. I asked him recently how soon we could expect the Reagan team to get its foreign policy act together. "Never," he replied.

Of course, he may be wrong. But if he is right, that implies that this administration will not succeed in freeing itself from its emotional nationalism, and will thus fail to think through the reasons for its irrational urges to wallop the Russians somewhere, *anywhere*, and therefore will fail to develop realistic strategies.

In a 25,000-word essay in a recent issue of the *New Yorker*,† Richard Barnet has struggled with the problems confronting the U.S., and he comes up with some conclusions which are in refreshing contrast with the cold-war machismo of the Reaganauts. First, that the national security debate in America has been dominated by two (silly) questions: is America becoming No. 2, and is Russia bent on world domination (whatever that may mean)? There has been no debate on the question of what military force can do for a great nation in the nuclear age, but without such a debate, and a conclusion from it, there can be no stopping the arms race.

His own contribution to this *missing debate is the notion*, banal in Europe but apparently unfamiliar to General Haig, that the utility of military force is largely a function of the political context; and that the recent past has seen a perverse correlation between economic prosperity and military might. In the old days the rich countries were also the strong countries; today the rich countries, like Germany and Japan, are militarily quiescent; the militarily strong countries, like the U.S. and Russia, are economically weak or declining in relative terms.

His inference is that, since those far-off places in the Gulf cannot be "defended" even with the expenditure of fabulous amounts of money, it would be more sensible to spend the money on a domestic energy programme

David Calleo, of John Hopkins School of Advanced International Studies, goes a whole step further, and touches on what I believe to be the root of the problem. Writing in *Foreign Affairs*‡, he argues that America's international position has been fatally weakened by the inflationary policies of successive administrations, which have sought to offset the damage by leaning ever more heavily on America's geopolitical and military role. In that sense, there is a dreary parallelism between the U.S. and Russia.

His conclusions are that America's Napoleonic role in Nato is anachronstic and far too expensive and inflationary; that the Europeans are rich enough to run their own defence, while nuclear parity inevitably undermines the credibility of America's overseas commitments; and that the Europeans should take over their own nuclear deterrent role.

Calleo's prescriptions may be debatable, and would certainly be uncomfortable to conflicting nationalisms in Europe. What *is incontrovertible is that major* change in the last 10 years has not been the military balance between the U.S. and the USSR (though there has been a change), but the economic balance between America and its allies and partners in the free world. The Americans can't cope with the Japanese challenge, so they look for ways of taking it out on the Russians. They do not recognise that Russia's corresponding problems are not merely more serious, but may be structurally insoluble.

Poland is one symptom of these problems, and Russian sabre-rattling is a symptom of the desire, mirror-imaging Reagan's militarism, to escape from reality. Because unreality is so strong an impulse in the Soviet empire, we in the West find it hard to predict their behaviour: will they invade, won't they? *Strategic Survey* argues that Moscow needs to be more flexible in handling its East European problems; yet it also argues that Soviet predilection for militarism is likely to retain the upper hand.

It is conceivable, however, that military arguments will, paradoxically, lead to flexibility over Poland. "Invasion," a Soviet analyst said to me the other day, "is the last, last, last thing that anybody in Russia wants." The irreducible requirement is the preservation of the Warsaw Pact; if that survives in reliable operational terms, he implied, the Poles can have great freedom of movement in readjusting their domestic political and economic structures. We shall see.

What is even less clear is the real internal state of health or sickness of the Soviet system itself. We know that growth rates have been declining and targets have not been met. But there is also evidence, statistical and anecdotal, of more fundamental social disintegration: *absenteeism*, black marketeering, corruption, industrial accidents, and horrific alcoholism, to the point where workers are judged fit if they can stand. Most disturbing is evidence of rising mortality rates and declining life expectancy, which must be unique in a country which in other respects has rising living standards, and which places the USSR on a par with countries in the developing world. Speculation suggests that, on top of a relative transfer of resources away from health, there is also some ill-defined collapse of social vitality.

A pessimist may fear that the next few years will be a surrealistic race away from rationality by both the U.S. and USSR, with a pointless arms race which will further weaken both of them; under the worst hypothesis it could be touch and go whether the U.S. succeeds in taking revenge for its humiliation in Vietnam before the Russians can bring themselves to reassess their real interests. Pessimism is not unavoidable, of course. But deeply buried in the *bien-pensant* orthodoxy of *Strategic Survey*, and scandalously displayed in David Calleo's article as well as in Christopher Tugendhat's speech in Scotland last week, is the notion that the time has come for Europe to be more serious about its own defence.

Ian Davidson

** Strategic Survey 1980-81. International Institute for Strategic Studies, 23 Tavistock Street WC2. £4.*

† The Search for National Security, Richard J. Barnet, The New Yorker, April 27, 1981.

‡ Inflation and American Power David P. Calleo, Foreign Affairs, Spring 1981.

The Health Crisis in the USSR, Nick Eberstadt, a review of Rising Infant Mortality in the USSR in the 1970s by Christopher Davis and Murray Feshbach, U.S. Bureau of the Census 1980, New York Review of Books, February 19, 1981.

Letters to the Editor

Civil service pay

From the chairman, Civil Service Pay Research Unit Board.

Sir,—As chairman of the Civil Service Pay Research Unit Board, I have, on my return from abroad, read with interest the correspondence of the last couple of weeks about the figures which should be used in order to arrive at the true pay comparisons between the civil service and outside industry and commerce.

It should not be forgotten that the pay research unit was set up and still exists for the very purpose of producing such comparisons. The unit does what your correspondents seem to be seeking. It compares like with like and produces accurate, factual information on pay levels and other items in the total remuneration package. My board has the task of seeing that the unit does this work efficiently and with integrity and impartiality. We are satisfied that it does.

The correspondence shows that civil service pay is inevitably compared with the pay of people in industry and commerce. That has always been so and, in my view, will always be so. Fair comparability cannot be ignored. But there is no need for all these conflicting and confusing figures to be handied about. The means already exists to obtain soundly based and comprehensive data which if widely published in proper form in the future would do much to remove the misunderstandings which have arisen.

It is however, generally accepted that the pay research system as a whole, including the methods of interpreting and using the facts, needs reviewing. I would not quarrel with that, but so long as comparability remains a factor in settling civil service pay so will exist the need for independent fact finding.

Shepherd,
67, Tufton Street, SW1.

Work on wave energy

From Mr. S. Salter

Sir,—In your edition of May 13 David Fishlock, your science editor, writes that the Government may be about to abandon all work on wave energy.

People in the device teams, who are closest to the problems, do not feel pessimistic about technical progress. The performance of devices has steadily improved. Sizes have fallen. Methods of yielding to excess power levels have been developed. Conversion efficiency has risen. Problems such as that of mooring have been shown to be far less serious than we at first supposed. Techniques for isolating generation equipment from sea water have been devised. Tough minded estimates for costs of electricity production have fallen rapidly. They are now not far from the target figure and we can do better yet.

The course of true love has not always been smooth and as the improvements have been achieved device teams have noticed increasing delays in the renewal of contracts and even longer ones in the payments for work done. In their darker moods came the unworthy thought that there might be people in positions of importance who would prefer renewable energy research to fail. The decision to make a final decision in March 1982, akin in wisdom to deciding our aviation policy on the data available in 1910, adds weight to that opinion. But even more weight is added by Mr. Fishlock's remark that the Department of Energy expects that no device will succeed in reaching the target cost in time for their deadline. Perhaps Mr. Fishlock's sources should not be quite so ready to guess the results of work still to be done.

S. H. Salter.
Department of Mechanical Engineering.
University of Edinburgh,
The King's Buildings,
Edinburgh.

A Laker needed for cars

From Mr. N. Mullan.

Sir,—In the knowledge that one may buy a car in Belgium and import it at a substantial saving compared to the UK price, who will don Sir Freddie Laker's mantle and end the excessive prices we have apparently been paying for so long in this country?

It also makes one wonder in how many other areas the British consumer is having to pay over the odds compared to his European counterpart.

N. J. R. Mullan.
13d, Vera Road, SW6.

Pensions reform

From Mr. M. Pilch

Sir,—Life through a leader-writer's eyes is deceptively simple. After reading your comments headlined "Urgent need for pensions reform" (May 14), the members of the Occupational Pensions Board must be kicking themselves for having spent three years sifting all the evidence on this complicated question of protecting the pension rights and expectations of early leavers when the answer was staring them in the face all the time. "The best course would be to abolish all inequality of treatment between early leavers and long service employees. This would mean reductions in pension entitlement for everybody."

The truth is, of course, that pension problems are rarely capable of such simplistic solutions. Even if it were generally acceptable — which it is not — to take away entitlement to pensions already earned, one has to question the blind obeisance to the virtues of job mobility reflected in your article. It may well be advantageous to the community if employees in declining industries are willing to undergo retraining and move elsewhere. There is absolutely no evidence that the existence of pension schemes is an obstacle to this process. On the other hand, the economic benefits of casual job-hopping in, shall we say, Fleet Street, are less easily demonstrable. What is certain is that excessive labour turnover imposes significant costs on industry and commerce in terms of recruitment, advertising and training costs. These are ultimately borne by the consumer and the early leaver thus imposes extra costs on the community, which must be offset against any benefits obtained from increased job mobility.

One of the arguments in favour of having a pension scheme is that by making the employment more attractive, it reduces labour turnover. That is not an argument for treating the early leaver unfairly, but fairness is a subjective concept and the purpose of this letter is merely to point out that there are two sides to the case. It is significant that the reason given by the chairman of the Occupational Pensions Board, when he addressed the recent National Association of Pension Funds conference, for recommending legislation was that voluntary action was unlikely to achieve the desired objective because there was little evidence of pressure from employers or employees in favour of such action. Perhaps it would be sensible for us to wait and study the full report of the board before dismissing its considered opinions and substituting preconceived judgments of our own.

Michael Pilch.
Noble Lowndes and Partners.
P.O. Box 144, Norfolk House,
Wellesley Road, Croydon.

Cutting down unemployment

From Mr. E. Whiting

Sir,—In the present situation any direct tax on employment, such as employer's national insurance contributions, is the worst tax of all in its effect on employers' propensity to employ or retain people; any alternative taxes will act adversely on employment more slowly and more selectively, if at all.

Employers' national insurance contributions are estimated to yield about £9bn in 1981-82. Of this approximately £1.5bn is due to the state earnings-related pension scheme, a parallel to the pension fund contributions of contracted-out employers; this must clearly remain. Of the £7.5bn which I regard as employment tax, about one-third is purely a book entry, being the "contributions" of public sector employers; abolition of the charge should equally reduce cash limits and public sector payments to the Treasury. This leaves £5bn, which has to be raised by other taxes. My plan would cover five main areas, raising £1bn from each.

The first £1bn would come from inheritance taxes (CTT), now after the latest budget yielding only 0.5 per cent of total tax revenue, against 1.6 per cent in 1974. There is very little adverse incentive effect here.

The second £1bn would come from alcohol and tobacco taxes. Such an increase, including that in the latest Budget, would still not restore, by a long way, either the proportion of total tax revenue or the value of the duties in real terms of seven years ago.

The third £1bn would derive from "broadening the tax base." Plenty of suggestions here: VAT on books, magazines and advertising (why exempt printed communication but tax electronic communication?) VAT on private coach transport, on small new building, on insurance premiums (at a new low rate); effective licences on dogs (£10 each?), horses, second TV sets.

The fourth £1bn would come from an attack on concessions and allowances. A reduction in mortgage interest allowance (painless while interest rates are falling), elimination of married man's allowance for a working couple (with less than commensurate increase in child benefit), abolition of over-blown schemes for tax-free investment.

The fifth £1bn must come from income tax; not so bad when most people are happy to pay as long as they are in work. An extra 1 per cent on basic rate would almost be enough.

Such a plan would reduce crude labour cost by about 8½ per cent. In small businesses where there is little other employment cost apart from wages and national insurance the effect would be substantial. In large businesses redundancy would immediately become less attractive when opportunity costs were re-appraised.

Edwin Whiting
(Lecturer in Management Control).
Manchester Business School,
Booth Street West,
Manchester.

The rating system

From Mr. D. Franklin.

Sir,—Mr. Bridge (May 11) refutes my allegation that businesses pay 60 per cent of the total UK rates bill. Surely he read the interesting article by the FT local government correspondent which reviewed the local rates analysis by Prof. C. Foster last year. This stated that "non domestic ratepayers pay 60 per cent of the total rates bill compared with 51 per cent in 1965. In 1979 non domestic rates raised £4bn compared to £2.7bn paid in domestic rates."

He also refutes my other allegation that businesses derive no benefit from the rates they pay. Education, the fire service and the police are not funded directly from local borough rates in London but from the Greater Metropolitan area as a whole. Businesses pay higher insurance premiums against burglary while paying higher rates than the domestic ratepayer.

It is totally illogical that a business on one side of the street in Wandsworth should pay rates of 96.9p while if on the other side of the street in Lambeth it should have to pay 191p. The Lambeth rate surcharge of last February meant that Greater London Council, whose County Hall is just within the Lambeth border, was faced with an additional rate bill of £1.2m.

If I may quote further from Prof. Foster: "Local revenue raised from domestic ratepayers has fallen from 30 per cent to 10 per cent and bears no relation to the services received. At present less than 10 per cent of local residents actually pay for the services they receive." In Lambeth the percentage is lower as 40 per cent of council rents are uncollected.

Rates in businesses are a charge on profits and if these are low or non existent can only contribute to loss of jobs. In fact rates are a tax and ability to pay should be the criterion of a local rates tax which should be paid by all residents and businesses. Of course Mr. Bridge is right that Town Halls should not be outposts of Whitehall and a local tax should be based on income and profitability. A reduction of income-tax thus follows as Government could easily reduce the rate support grant.

D. G. Franklin.
121, Kennington Road, SE11.

Today's Events

GENERAL

U.K.: Mrs. Margaret Thatcher opens Automan '81, the first European automated manufacturing exhibition and conference, sponsored by British Robot Association. Metropole Exhibition Centre, Brighton.

Trades Union Congress—Labour Party Liaison Committee meets.

Southampton dockers' leaders to offer employers a modified version of their pay claim.

Association of Scientific, Technical and Managerial Staffs conference continues, Blackpool.

Prison Officers' Association conference opens, Plymouth.

Institute of Professional Civil Servants conference opens, Harrogate.

Royal College of Nursing conference opens, Bournemouth.

Society of Company and Commercial Accountants annual meeting, Birmingham.

Sir Geoffrey Howe, Chancellor of the Exchequer, presents Observer - Whitbread National Essay Awards, Chiswell Street, London.

The Queen and Duke of Edinburgh attend Chelsea Flower Show.

Overseas: Two-day meeting of EEC Foreign Ministers opens, Brussels.

EEC Conference on Portugal, Brussels.

PARLIAMENTARY BUSINESS

House of Commons: Private Member's motion on housing policy in Scotland. Remaining stages of Iron and Steel Bill. Motion on EEC documents on fisheries. Motion on the General Practice Finance Corporation (Increase of Borrowing Powers) Order.

House of Lords: British Telecommunications Bill, committee stage.

Select committees: Home Affairs. Sub-committee on race relations and immigration. Subject: The operation and effectiveness of the Commission for Racial Equality. Room 15, 11 a.m. Education, Science and Arts. Subject: Secondary School curriculum and examinations. Witnesses: Department of Education and Science officials, Room 6, 4 p.m.

OFFICIAL STATISTICS

April provisional figures for retail sales.

COMPANY MEETINGS

See Week's Financial Diary on Page 26.

BPC sees profits by 1982

LOSSES in the period January/April at BPC, before the reorganisation was put in hand, were at a higher rate than in the same months of 1980, but Lord Kearton, chairman, tells members that by the end of the current year losses are expected to have been staunched and the printing group should move to profitability during 1982.

The higher rate of losses are underlined "by the fact that there has still been no improvement in trading conditions and the strength of sterling makes competition within the EEC severe."

Lord Kearton is confident, however, that as the reorganisational changes take effect the group will be much leaner and there will be progressive benefit in all companies.

As known, a rationalisation and reconstruction plan was approved by shareholders on April 24, and unconditional agreement was reached with the unions concerned on April 27.

Pergamon Press agreed to subscribe £10m in cash for 80m 'A' ordinary shares of 12.5p. Together with its existing stake, it now holds 77 per cent of the ordinary capital—ultimate holding company is Pergamon Holding Corp. of the U.S.

As a result of the plans some 2,500 redundancies will be made.

For the 53 weeks ended January 3 1981 the group incurred a £11.26m loss (£4.04m profit) and omitted the interim and final dividend (3.5p total).

Meeting, Connaught Rooms, WC, June 10, noon.

See Lex, Back Page

NCC seeks to channel Simplicity into energy

NCC Energy, which is seeking shareholders' approval of its purchase for $32m in March and April of a 15.4 per cent stake in Simplicity Pattern, expects to influence the U.S. dressmaking pattern group to diversify into the energy and natural resources fields.

In a letter to NCC shareholders calling an extraordinary general meeting for June 2, Mr Graham Ferguson Lacey, chairman, notes that Simplicity had net assets of $125.2m at January 31, 1981, of which $82.85m was in the form of short term investments and cash.

Mr Ferguson Lacey and two other NCC directors have joined the Simplicity board and Mr. Ferguson Lacey has become chairman of its executive committee.

"Following its acquisitions of shares in Simplicity and through its representation on Simplicity's Board of Directors and Executive Committee, NCC expects to be in a position to influence Simplicity towards diversification away from home sewing and patterns and into the acquisition of interests in the energy and natural resources fields," Mr. Ferguson Lacey writes.

The shares of NCC were suspended at the company's request on Friday at 135p as Mr. Ferguson Lacey, who holds a 44 per cent stake, flew to New York for what he describes in the letter as "material discussions" that could lead to a merger of NCC and Simplicity.

The U.S. company, which is quoted on the New York and Pacific Stock Exchanges, had net income in the year ended on January 31, 1981, of $10.2m ($11.7m), or 75 cents a share (86 cents).

He also reviews other transactions by NCC in the past six months that have been made in pursuit of the group's policy of "acquiring interests in the fields of energy and natural resources (on a worldwide basis) in relation to which the NCC Group can participate actively in management in conjunction with the specialist managements of the operating companies in which it invests."

These transactions include the sale of most of NCC's holdings in Weeks Petroleum for £17.3m and of all its holding in Petrocon for £0.5m. The group has also bought for about £4m a 20.3 per cent stake in Ni-Cal, a quoted Canadian company with reserves of chrome, cobalt and nickel in the U.S., and with plans to diversify into oil and gas projects.

NCC has acquired a 22 per cent interest in Alpine Geophysical, a small U.S. company that has working interests in oil and gas producing wells in five states and carries out geophysical and oceanographic surveys in the Mediterranean.

The NCC-Mercury General Partnership is managing a 32-well drilling programme in the U.S. that will require funds of $4.4m. NCC is putting up £2.4m and Ni-Cal, of which Mr. Ferguson Lacey has become a director, is investing $2m.

NCC has acquired further oil and gas interests in Texas, New Mexico and the East China Sea.

Mr. Ferguson Lacey warns that these investments "will take time to mature and in the meantime require the servicing of interest costs and management time. However, they are expected to generate earnings in the longer term.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interim: E. J. Riley.

Finals: Land Securities Investment Trust, Outwich Investment Trust.

FUTURE DATES

Interims—	
Chemring	June 12
Dubilier	May 22
Spring Grove Services	May 27
Finals—	
Assam-Dooars	May 19
Capital and Counties Property	May 28
Hunting Associated Industries	May 19
New Throgmorton Trust	May 27
Walker (C. and W.)	May 22
Weeks Associates	May 21
Western Dooars Tea	May 19

Brown Shipley makes agreed 30p per share offer for Medens

ACCEPTING HOUSE Brown Shipley Holdings is making an agreed bid for Medens Trust, an unquoted company which provides instalment credit for motor vehicle purchases, at 30p a share in cash.

Medens shareholders are also being offered the alternatives of Brown Shipley loan notes or a combination of loan notes and Brown Shipley shares.

The offer values Medens, in which Brown Shipley already holds 611,000 shares, 4.9 per cent of the 12.5m issued, at £3.76m.

Medens had profits before tax of £747,000 in the year to June 30, 1980, compared to £636,000 in 1979. In the first half of the current year, pre-tax profit was £352,900 (£325,000). At June 30, 1980, net tangible assets were £2.8m or 23p a share.

For every 60 Medens shares, Brown Shipley is offering £18 in cash or £18 nominal of 10 per cent redeemable unsecured loan notes 1982-84 or £13.85 nominal in loan notes plus one Brown Shipley ordinary £1 share.

The share and loan note option was based on a recent price of 415p a share and is available only until the first closing date for acceptances.

Medens shareholders will receive a second interim dividend of 1p a share in lieu of a final dividend in respect of the current year.

The directors of Medens, advised by Kleinwort, Benson, recommend the offer be accepted. Irrevocable undertakings in respect of 4.9m shares, approximately 40 per cent of those issued, have already been given.

Brown Shipley said the acquisition was a logical extension of its recent expansion into leasing and factoring.

STURLA HOLDINGS

Sturla Holdings says the valuation of First Guernsey Securities carried out under the terms of its offer had been completed. For each FGS share, acceptors of Sturla's offer are entitled to 25.795 new Sturla shares. Holders of FGS shares who accepted the cash alternative will receive 309.55p per FGS share.

OFFICE PURCHASED

The Tate and Lyle pension fund has purchased Cadogan House, a 27,500 sq ft office block in Central Glasgow let entirely to the British National Oil Corporation. The current rent is under £4 per sq ft.

PFPUT BUYS EIGHT SHOP UNITS

The Pension Fund Property Unit Trust (PFPUT) has completed the £730,000 purchase from the New Town Commission of eight shop units at Crossway, Bracknell, Berkshire.

The current income from this investment is about £32,000 per annum, but rent reviews are due on all the properties within the next few years. Current rental value is estimated to be approximately

MOBEN ISSUES 1.25M SHARES

Moben Group has issued 1,252,200 new ordinary shares, part of the deferred consideration due to L. D. Morris and J. A. Bentham on the acquisition by Moben Group of Moben Home Improvements. The new shares have been admitted to the official list.

Following the issue, the total capital of Moben Group is 43,267,827 ordinary shares of 10p each and there remains to be issued 2,637,536 ordinary shares as deferred consideration.

Antonio, Aniello and Nicola de Blasio have exercised their options to purchase 1,252,200 Moben Group ordinary shares from L. D. Morris and J. A. Bentham and these shares, together with a further 2,000,000 ordinary shares already held by them have been placed on behalf of Antonio, Aniello and Nicola de Blasio by Panmure Gordon and Co., brokers to Moben Group, mainly with institutional investors.

WILLIAM PRESS SCHEME SANCTIONED

The scheme of arrangement for the acquisition of the ordinary and preference share capital of William Press and Son, by William Press Group and the cancellation of the two loan stocks of Press, has now been sanctioned by the high court and became effective on May 15.

TAYLOR WOODROW

Taylor Woodrow Property Company has acquired the lease of approximately 8,000 square feet in Avenfield House, Park Lane, London, W1.

SHARE STAKES

Eucalyptus Pulp Mills — The Island and South American Merchants sold 26,376 ordinary shares, reducing total holding to 1,059,158 shares (28.44 per cent). Johnson Jorgensen and Wettre purchased 25,000 ordinary shares.

Hawley/Dufay Bitumastic — Hawley Leisure has an interest in 1,040,000 Dufay ordinary shares (9.3 per cent).

Advance in Pearl funds

THE value of long term funds of the Pearl Assurance Company rose by nearly £150m from £1.15bn to £1.29bn, with the Ordinary branch fund advancing by £66m to £636m, the Industrial branch fund £78m to £652m and the Capital redemption fund by £37,000 to £508,000. The market value of assets now exceeds £2bn.

Premium income was buoyant in 1980, rising by 10 per cent to £76m in the ordinary branch and by 17 per cent to £130m. Investment income in the Ordinary branch was nearly 20 per cent higher at £70m and a slightly higher growth rate to £72m was seen in the Industrial branch.

The yields in the ordinary and industrial branches were 12.59 per cent and 12.63 per cent respectively.

During last year, the main emphasis of the company's investment operations continued to be in the gilt market where £79.5m was invested. A further £11.2m was put into equities and £33.8m in property.

As already reported, the company made a net profit of £10.5m in 1980 against £8.5m in the previous year, after the underwriting loss on short term business had been slightly reduced to £3.6m. The dividend was raised by 18 per cent.

Berwick capital increase

Mr. John Oakley, chairman of Berwick Timpo, the toy manufacturer, plans to seek shareholders aproval to increase the company's authorised share capital and change its articles of association.

At the AGM on June 10 shareholders will be asked to approve an increase of authorised share capital from £1.675m to £1.925m by the creation of a further 1m ordinary shares of 25p each. If this is agreed, then 23 per cent of the enlarged authorised share capital will be unissued.

The board states it has "no plans at present to issue any shares and that no issue of shares will be made which would effectively alter the control of the company without prior approval of the company in a general meeting." The balance was needed to provide "flexibility in the future" and it will continue to explore potential acquisitions within the toy industry.

At the same time shareholders consent will be sought for an amendment of the company's articles of association so that shareholders who fail to declare the beneficial ownership of their shares after 30 days notice will have their voting rights suspended.

SPAIN

1981 High	1981 Low		May 15 Price %
310	251	Banco Bilbao	309
359	280	Banco Central	358
282	229	Banco Exterior	282
315	239	Banco Hispano	292
129	120	Banco Ind. Cat.	123
348	284	Banco Santander	338
189	148	Banco Urquijo	188
328	263	Banco Vizcaya	328
252	204	Banco Zaragoza	216
164	82	Dragados	161
75	45	Espanola Zinc	75
73.7	55.5	Fecsa	73.7
39	22	Gal. Preciados	39
73	63.5	Hidrola	72
65.2	52	Iberduero	59
108.5	70	Petroleos	107.5
90	70	Petroliber	88
102	79	Sogefisa	79
64	60	Telefonica	63.5
70.2	60	Union Elect.	70

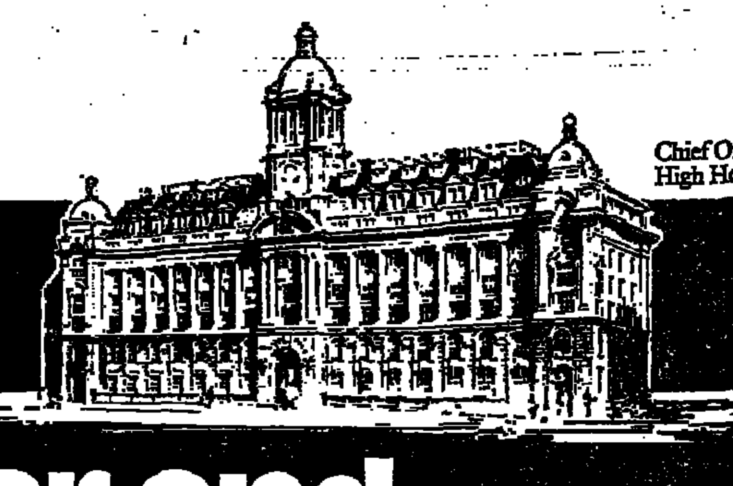
FT Share Information

The following securities have been added to the Share Information Service:—

Euroflame (Section: Industrials)

Old Swan Hotel (Harrogate) (Leisure).

Statement by the Chairman, Mr. F. L. Garner PEARL ASSURANCE COMPANY LIMITED



Chief Office, High Holborn, London.

"Total assets of the parent company at the year end exceeded £2 billion for the first time."

At the end of August 1980, Mr. Arthur Moore retired from the Company's Board. Before becoming a director in 1972 he completed a highly successful career in our field organisation. The Company is most grateful to Mr. Moore for his contribution to its affairs over many years.

Mr. J. Holcroft, who retired from executive duties in August last having given us invaluable service at senior levels both in the field and within Chief Office, accepted an invitation to join the Board in a non-executive capacity. This appointment requires confirmation at the Annual General Meeting, and I have no hesitation in asking stockholders to elect him.

The Directors who stand for re-election this year under the rotation provisions of the Articles are Mr. R. Younger and myself. Mr. Younger, having reached the age of 65, retired on 28th February, 1981 from his position as General Manager (Field Operations) but, subject to his re-election at the Annual General Meeting, he will continue to serve as a Non-Executive Director.

Two new appointments have been made to the team of senior officials which plays a vital role at the centre of the Company's management. It was decided that the senior executive in charge of our General Branch should carry the status of General Manager. Mr. T. M. Spitteler, who has borne this responsiblity for some years, was therefore appointed. Mr. J. C. Finan was promoted to the position of General Manager (Field Operations) from 1st March this year.

Increase in Authorised Share Capital

Your Directors consider that the opportunity should be taken at the Annual General Meeting to create a moderate amount of authorised but unissued share capital. I should perhaps make it clear that we foresee no need to raise additional share capital either to augment our solvency margin which is in fact exceedingly strong or indeed to finance the growth of the Company's business as it currently exists, and at present there are no specific plans calling for a capital issue. It is however felt that within reasonable limits the Directors should be in a position to raise finance for any purpose which they consider to be in the stockholders' interests. No issue will be made which would effectively alter the control of the Company or which would result in a change in the nature of the Company's business without the prior approval of the Company in general meeting.

Set out in the Notice of Annual General Meeting are certain items of Special Business designed to achieve the above aims.

Resolution No. 6 proposes an increase in the authorised ordinary share capital from £1,800,000 to £2,250,000. The preference share capital remains unchanged at £300,000.

Resolution No. 7 deals with amendments to the Articles of Association to give the Directors the necessary authority to issue shares without obtaining further approval of the members.

At present Article 4 is in the form in which it was adopted in 1927; its requirements are briefly that all shares issued for cash are to be offered (a) in the first instance to the existing members holding ordinary stock in proportion to such stock held by them and (b) at such price as the Company in general meeting may resolve or at par. An issue at par value of 5p cannot seriously be contemplated in the light of the quoted share price which has ranged upward from 380p during 1981. It is of course most unusual for the issue of shares by a listed company to be circumscribed in this way by the Articles and the practical disadvantages of convening a meeting of shareholders to fix a price some time in advance of issue need no explanation. Accordingly it is proposed in the first part of Resolution No. 7 to amend Article 4 to enable the Directors to fix the issue price and to bring into line with modern practice other provisions in respect of any offer of further capital to ordinary stockholders. Their priority right to be offered share issues for cash by way of rights issue is preserved.

The new Article 6 proposed in the second part of Resolution No. 7 will enable payment of commission in connection with issues of the Company's capital to be made within the limit prescribed by the Companies Act 1948 as opposed to the present limit in the Articles of 10 per cent of the nominal amount of the shares being issued.

Resolution No. 8 is concerned with section 14 of the Companies Act 1980, the effect of which is that the directors will soon need specific authority from the Company in general meeting for issues of the Company's capital. To anticipate this the proposed Resolution will give the Directors the necessary authority, during the five year period permitted by the section, to allot any or all of the capital to be created by Resolution No. 6. When that period has expired the Directors may if they consider it appropriate ask for a renewal of this authority.

I commend the above proposals to stockholders as being in their interest and that of the Company. In case they may wish to study the precise effect of the proposals upon the existing Articles of Association, copies of Articles to which the resolutions make reference are enclosed on a separate sheet of paper issued with this document.

Companies Act 1980

Insofar as they affect the Company the provisions of this new Act are in the process of being dealt with. In particular information now required in respect of loans to officers and directors is provided in the report and the directors will within the period prescribed by the Act change the Company's name to 'Pearl Assurance Public Limited Company' and effect its re-registration accordingly. The application of Section 14 of the Act has been dealt with in the previous section of this statement.

Long-Term Business

New Life Business

In the industrial branch, new annual premiums increased from £24.4 million to £27.9 million (14 per cent) and sums assured from £308 million to £349 million (13 per cent). There are no special factors to affect the increase this year and this must be considered a satisfactory result in view of the adverse economic conditions. When allowance is made for variations in the method of treating the introduction of life assurance premium relief last year, our increase is in line with the national average.

In the ordinary branch we were less successful. Single premiums for the group as a whole fell from £20.4 million to £12.1 million and annual premiums were down marginally from £16.0 million to £15.9 million. The fall in single premiums was expected since our marketing strategy which in 1979 was concentrated on the advertising of Pearl Assurance (Unit Funds), which produced a large volume of single premium business, was switched in 1980 to self-employed deferred annuities, which are mainly on an annual premium basis. However, we hoped that this change in emphasis would have produced an increase in annual premium income. The general experience in the ordinary life assurance market has varied from company to company, but the total increase in annual premium new business, excluding group pension business, has been small, so that we think that our performance has not been unsatisfactory in comparison with other life offices.

If the ordinary branch new business is considered separately for the three companies within the group, Pearl Assurance annual premiums increased from £11.4 million to £12.8 million, sums assured from £442 million to £472 million and annuities per annum from £21.2 million to £25.7 million. Single premiums fell from £6.0 million to £5.8 million. All these figures are before reassurance from Pearl Assurance (Unit Funds). Pearl Assurance (Unit Funds) new annual premiums fell from £4.6 million to £2.5 million, single premiums from £14.5 million to £6.3 million and sums assured from £91 million to £48 million. Our new subsidiary, Pearl Assurance (Unit Linked Pensions) which writes only unit-linked retirement annuities, commenced business in May 1980 and has written £0.6 million in annualised premiums. This is a satisfactory beginning, bearing in mind that the figures reflect little more than half a year's operation.

The number of policies shown in the report is affected by the fact that reassurances from Pearl Assurance (Unit Funds) to Pearl are now done by means of a single master policy instead of individual policies.

The difficult economic conditions that affected new business in 1980 are clearly going to continue throughout 1981. Industrial branch new business will be affected by the change in the rate of life assurance premium relief which took place on 6th April and which will result in a reduction in new premiums for the year to about 3 per cent below what might otherwise be obtained. In other respects industrial branch new business looks like being satisfactory. In the ordinary branch, unlike the last few years, production in the opening months has not had the benefit of any advertising campaign. This year, because of training commitments relating to the introduction of less frequent accounting, the major advertising campaign will take place later in the year. It is therefore difficult to forecast progress in this branch, though I shall be surprised if it is not a very difficult year.

Life Business in Force

The total life business in force in the Pearl at 31st December 1980 comprised sums assured and bonuses of £4,767 million, £1,990 million in the industrial branch and £2,777 million in the ordinary branch, compared with £4,276 million a year earlier. Annuities and bonuses amounted to £116 million, per annum compared with £95 million. Combined premium income (including annuity considerations) was £206 million, nearly £130 million in the industrial branch and over £76 million in the ordinary branch, compared with £180 million, an increase of over 14 per cent. Total payments to policyholders in the form of claims, surrenders and annuity payments exceeded £100 million for the first time. The total was £125 million compared with £99 million in 1979. If the special surrender payments in respect of whole life weekly policies, referred to below, are excluded, surrender payments increased from £19.2 million to £26.3 million, an increase of nearly 37 per cent. This undoubtedly arose from the general economic recession. Some policyholders have been unable to complete the programme of savings that they had mapped out in the past and have found themselves in need of immediate cash.

In the industrial branch, the expense ratio has decreased again from 39.24 per cent to 38.53 per cent. The new system of life assurance premium relief, which only existed for three-quarters of the year in 1979, has meant a further increase in premium income without the associated expenses.

In addition, we have not had the expense of adapting to the new system, which increased expenses last year. On the other hand, there has been a considerable increase in the transfers to the Staff Superannuation Fund, mainly to improve the pensions of existing pensioners as explained in my statement last year.

In the ordinary branch, the expense ratio increased slightly from 32.71 per cent to 33.17 per cent. Part of this increase arises from the increased contribution to the Staff Superannuation Fund but another cause is the increased proportion of new business premiums, which carry higher expenses than renewal premium income.

Unit-Linked Subsidiaries

The total life fund of Pearl Assurance (Unit Funds) increased from £24.1 million at the beginning of the year to £35.1 million before the transfer referred to below. As we anticipated, investment income has exceeded expenses, so that we are now recovering the deferred tax relief that has been accumulated in the past. In 1980 there was a surplus for the year of £517,000, the major part from this source, £217,000 has been added to the amount of surplus carried forward within the life fund and £300,000 has been transferred to the profit and loss account, making good some of the transfers made out of this account in the past. We are very satisfied with the progress of this subsidiary. Further details are given in the supplementary information in the report.

Because of the predominance of quarterly premium business, the fund of Pearl Assurance (Unit Linked Pensions) only amounts to about £150,000 in spite of the success of its first year's operations. For this reason, a detailed summary of the accounts has not been given as it has for Pearl Assurance (Unit Funds). The company has made a small profit for the year, which is being carried forward.

Weekly Whole Life Policies

The Company ceased to issue weekly policies in the industrial branch in 1970 but many such policies remain in force. Most of them are for very small premiums, which are now, by mutual agreement between the policyholder and agent, collected every four weeks or even less often. The lower benefits given to a weekly contract are therefore no longer appropriate although, arguably, the policy is often for so small a premium as to be uneconomic. The premiums under these policies cease, either contractually or by concession, at the policy anniversary preceding age 85. In order to give policyholders an additional benefit, we have offered them a special surrender value, equal to the full sum assured and bonus (including terminal bonus) at that time. Effectively, the policyholder has been offered the opportunity to convert his whole life policy to an endowment assurance maturing at the date on which premiums would otherwise cease. In many cases, the policy is no longer serving its original purpose and we have found that about three-quarters of policyholders are glad to accept the sum assured under this scheme, which was initiated in September 1980. The remainder have decided to keep their policies in force.

The cost of this scheme has been met out of reserves. The total payments made in 1980 amounted to £1,081,000. This sum is included in the accounts as a surrender payment, as is technically correct, though it is of quite a different nature from the normal surrender payment.

Instead of declaring reversionary bonuses on all premium-paying policies which have been in force for six years or more, as is normal, 1980 surplus has been distributed to industrial branch whole life policyholders (4-weekly as well as weekly) who took out their policies before 1950 in the form of an acceleration of the date on which premiums cease, and this will increase payments under the special surrender scheme in future years.

One advantage of this is to eliminate small policies which are disproportionately expensive to collect and administer. We therefore expect it to prove advantageous to other policyholders, stockholders and staff as well as to those directly concerned.

Life Valuations and Bonuses

The Actuary's report is given in the report and accounts. There has been a very exceptional increase in ordinary branch reversionary bonuses, particularly for pension business, where we thought it right to exercise caution in the two previous years, because of the introduction of a substantial new table. We have also been able to increase reversionary bonuses in the industrial branch.

The rates of terminal bonus, which are based on the capital value of investments over the year, have been reduced, primarily because of low stock market values in the early part of the year. The total cost, however, has increased, particularly in view of the large numbers of maturities in the industrial branch.

The total surplus allocated to policyholders amounted to £41,682,000 in the ordinary branch and £32,826,000 in the industrial branch.

"Very exceptional increase in ordinary branch reversionary bonuses."

"Increased reversionary bonuses in the industrial branch."

EXTRACTS FROM 1980 RESULTS

	1980	1979
New Life Premiums per annum	£41.2m	£36.6m
New Life Sums Assured	£863m	£827m
Life Premium Income	£206m	£180m
Life Surplus allocated to policyholders	£74.5m	£63.1m
Assets of Long Term business		
— Balance sheet value	£1,308m	£1,162m
— Market value	£1,956m	£1,582m
General Branch premium income	£52.4m	£43.2m
General Branch underwriting result	£3.6m loss	£3.7m loss
General Branch trading result	£3.0m profit	£1.4m profit
Assets of Short Term business and Stockholders' funds		
— Balance sheet value	£87.7m	£78.2m
— Market value	£114.3m	£96.0m
Profit and loss account income (net transfers plus investment income less taxation)	£10.4m	£8.4m

Short-Term Business

Results

Premium income (excluding income from subsidiary companies and from Marine, Aviation and Transport business) amounted to £52.4 million, an increase of £9.2 million (21 per cent) over 1979.

There was an underwriting loss of £3.6 million compared with the 1979 loss of £3.7 million, the comparative revenue account losses being:-

	1980	1979
	£mn	£mn
Property	2.0	2.2
Motor	0.5	1.0
Others	1.1	0.6
Reinsurance treaties	—	0.1(profit)
	3.6	3.7

Gross investment income amounted to £6,554,000 giving a trading surplus of £2,989,000 against £1,452,000 in 1979. This surplus has been transferred to the profit and loss account but £1 million of the net profit for the year has been appropriated to a claims equalisation reserve which appears in the balance sheet and will provide a fund which can be used to reduce fluctuations that arise from claims in respect of exceptional occurrences such as storms or floods.

United Kingdom

There was an improvement in the overall underwriting results, the loss for the year being £3,433,000 compared with £3,959,000 in 1979. There was a major improvement in the claims ratio, partially offset by a worsening in the expense ratio. As a result, the operating index improved to 104.2 against 107.4 in 1979.

Ninety-two per cent of our business was written in the United Kingdom. Overall growth in premium income of 21 per cent (19 per cent in 1979) was once again led by the property account in which the growth rate was 32 per cent following 23 per cent in 1979 and 37 per cent in 1978. This account, which consists mainly of household business, has more than doubled in the last three years mainly as a result of the increases in rates and sums insured which have been applied to meet the sharp rises in claims costs, but reflecting also the major campaign carried out last year to raise sums insured to more realistic levels. The account now represents 57 per cent of our total general branch premium income in the United Kingdom.

The growth rate of 9 per cent in the motor account following 11 per cent in 1979 was again disappointing. Competition for this class of business is intense and our share of the market has continued to decline. However, in 1980 there was a satisfactory trading result on this account.

Overseas

Premium income from our overseas branches and agencies increased from £1.6 million to £1.8 million. Exchange adjustment charges arising out of currency conversions depressed the results but there was nevertheless a small trading profit.

Reinsurance Treaties

Our reinsurance business is developing satisfactorily following the opening of the city underwriting office to which I referred in my last report. Premium income increased by 46 per cent to £2.4 million and the outcome of the year was a small underwriting profit and a trading surplus of £556,000.

Marine, Aviation and Transport

Premium income amounted to £4.1 million compared with £3.8 million in 1979. Results continue to be very disappointing, largely reflecting the over-capacity that has prevailed in this market over the last few years. The 1978 account was closed with an underwriting loss and, having regard also to the progress of the two subsequent years, it has been necessary to transfer £700,000 from the profit and loss account to maintain the fund at an adequate level.

Subsidiary Companies

The total premium income and trading surpluses of our subsidiary companies in Brazil, Portugal, Zimbabwe and the USA amounted to the equivalent of £12.8 million and £1.3 million respectively.

Investments

During 1980 the United Kingdom economy was experiencing its most severe conditions since the thirties. Whilst companies' declared profits and dividends based upon past trading periods were in general showing satisfactory growth, it was felt that little if any progress could be expected overall in the near future. Interest rates remained high, at least in nominal money terms. Inflation was declining and its adverse impact upon real rates of interest was diminishing. Although the real return available to a taxed fund was still negative, Government policy seemed destined to lead to a lowering of rates.

In the circumstances, the main emphasis of our investment operations continued to be in gilt-edged stocks. In 1980 the long term fund invested £79.5 million in gilts, £11.2 million in equity shares, and £33.8 million in real property. Over the last three years the aggregate amounts committed to these categories were £213.3 million, £58.9 million and £50.1 million respectively.

The gross investment income of the life funds rose during the year by £24.6 million, to £145.7 million, resulting in gross yields of 12.59 per cent (11.74 per cent in 1979) in the ordinary branch and 12.63 per cent (11.79 per cent in 1979) in the industrial branch. Given the current trends of ordinary share dividend declarations, I would not necessarily expect 1981 to show an increase in these yields.

During the year under review the £6.5 million cash flow of the short term fund was committed mainly to short dated gilt-edged securities.

The supplementary statement in the report gives a summary of market values, balance sheet values and investment income for each fund. Taking investments at market value the total assets of the parent company at the year end exceeded £2 billion for the first time.

Profit and Loss Account

The transfers from the long-term funds amount to £8,246,000 as against £6,972,000, an increase of 18.3 per cent. This reflects both the growth of the business in force and the increased yield on the funds. The transfer from the general branch is £2,989,000 against £1,452,000 but the transfer to the marine, aviation and transport account has been increased to £700,000 from £450,000.

Investment income on stockholders' funds was £2,295,000. Taxation increased from £1,250,000 to £2,265,000, reflecting the increased profitability of the general branch account. After allowing for other income and expenses, the net profit for the year was £10,456,000 an increase of 23.6 per cent. After the transfer referred to earlier of £1 million to set up a claims equalisation reserve and the proposed increase in the total dividends for the year, the carry-forward has increased to £8,636,000.

Code of Conduct for Intermediaries

We are members of the British Insurance Association, the Life Offices' Association and the Industrial Life Offices Association and fully support the objects of those bodies. At the beginning of this year the Associations introduced codes of conduct for intermediaries selling life and general insurance and have made them mandatory for all members. The codes apply to our own staff, although they are not, strictly speaking, intermediaries. In our view, they largely reduce to sets of rules the conduct which we have long expected our staff to operate in the interest of good relations with policyholders. They have therefore been readily accepted both by ourselves and by the representatives of the staff. We are sure that they will result in an improved image for the industry as a whole.

We can only regret that a number of offices are not members of the relevant Association and are not therefore bound by the codes. We nevertheless greatly hope that they will voluntarily comply with the underlying spirit.

Company Development Plan

I mentioned last year the proposed changes in the Company's organisation and procedures. The first change, under which our field staff will commence to render accounts four-weekly (though they will, of course, continue to collect premiums and bank money weekly) has recently been implemented.

The most important remaining changes are the reduction of the number of our district offices from about 450 to about 250, combined with the introduction of new scales and methods of pay for the management grades of our field staff. These have been fully agreed with the union section representing the staff most closely concerned and will be coupled with the introduction of a new series of ordinary branch policies. In other ways our plans are proceeding smoothly and we hope to implement the bulk of the changes early in 1982.

This reorganisation will involve substantial capital expenditure, particularly in compensation and enhanced pensions for those who retire early as a result. This expenditure will occur mainly in 1982 and 1983 and will be met from reserves accumulated in the past. The reasonable expectations of policyholders and stockholders will not be affected and they will gain in the long run from the resulting economies of operations.

Tribute to the Staff

1980 has been a year of considerable economic difficulty for the country and 1981 promises to be another. Your Company is affected since the retention and expansion of business, on which our continued prosperity depends, are bound to be more difficult in such circumstances. Nevertheless, our staff have managed to combat these difficulties and to continue to provide an efficient and economical service to policyholders. On your behalf, I would like to express our appreciation.

The Annual General Meeting of the Company will be held on June 10th at 12 noon at the Registered Office, High Holborn, London WC1V 7EB.

Cover yourself with

Pearl assurance

Pearl Assurance Co. Ltd. Registered in England (1419C). Registered Office; High Holborn, London WC1V 7EB.

INTERNATIONAL BONDS

BY FRANCIS GHILES

Strong dollar remains dominant

THE BEHAVIOUR of international bond investors continues to be dictated by two factors, the strength of the dollar in foreign exchange markets and the high level of U.S. interest rates.

The surge of the dollar against major European currencies recently means that whatever losses investors based in major European currencies may have suffered from the decline in the price of fixed interest dollar Eurobonds are more than compensated for by the currency gain. French franc-based portfolios would have gained 8.7 per cent since the beginning of the year on their dollar bonds, D-Mark investors 4.2 per cent, Swiss franc investors 3.3 per cent and sterling investors 2.5 per cent.

There is therefore no reason to sell dollar Eurobonds, but investors wishing to take advantage of the strength of the dollar are still more attracted by short-term deposits, which yield much more than two or three-year paper.

The six-month Eurodollar interest rate finished the week at 18¾ per cent, which is about three points above the yield on fixed interest rate dollar bonds maturing in 1983-84.

Investors are cautious because they find the future movement of U.S. interest rates particularly difficult to forecast. Were the rates to fall quickly, buying dollar bonds now would look attractive, but many investors simply cannot convince themselves that there is more than an even chance of this happening.

Only three issues, all rather small, were launched in the dollar sector, where trading activity was down to a trickle on Thursday and Friday as the Association of International Bond Dealers (AIBD) met in Hamburg for its annual meeting.

Some members of the AIBD have been openly critical recently of the association and its board for failing to tackle the problems the market faces, particularly where aggressive pricing of new issues is concerned. They complain that the AIBD has become merely a social club.

Mr. Rupert Hambro, AIBD board chairman, rejected the criticism when he addressed the annual meeting. He felt that the new issue market simply could not be subject to externally imposed regulations, say by organisations such as the AIBD. However, he did decry widespread mispricing of new fixed interest dollar bond issues, a practice which had resulted in "the underwriting and placing institutions losing money on each transaction."

Mr. Hambro welcomed the growing independence of bond houses which had been prepared, in recent months, to turn down underwriting, or co-management positions when they felt the terms being offered by the lead manager of a new issue were "below" the market.

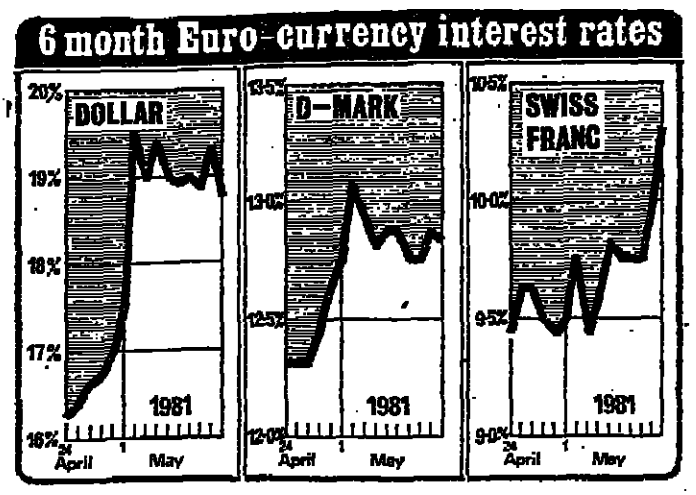
"Lemming attitudes" of the past were giving way to more realistic attitudes, with bond houses less prepared to underwrite paper they knew they could not sell to investors.

M. Francois Mitterrand's victory in the French presidential elections had no impact on French bonds in the dollar, Swiss franc or D-Mark sectors. Nor was the sale of French commercial paper in New York—the amount of which outstanding is about $4bn—made any more difficult.

On Thursday one of the two leading New York rating agencies, Standard and Poors, put out a statement confirming its view that France remained a triple-A borrower.

D-Mark bonds lost ¼ of a point on the week and one new issue, expected from BHF Bank, was postponed. Swiss franc bonds were unchanged. A steady flow of new issues continues in the Swiss franc sector but the sharp rise in Swiss franc interest rates is putting pressure on coupons for foreign borrowers.

6 month Euro-currency interest rates



CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
‡§Nippon Kokan KK	100	1996	15	6¼	100	Yamaichi Secs. Nomura Secs.	6.500
‡§Fujitsu	80	1996	15	5½	100	Nikko Secs., Kleinwort Benson	5.500
†RENFE	100	1989	8	9¼ø	100	Mitsui Fin. Europe Kredietbank, Societe Generale	9.726ø
‡Federal Business Development Bank	40	1984	3	15¼	99¾	Wood Gundy	15.861
‡**§Canon Inc.	70	1996	15	5½	100	Merrill Lynch, Yamaichi Secs.	5.576
†Korea Development Bk.	30	1989	8	7¼ø	100	CSFB	7.641ø
SWISS FRANCS							
‡**§Nippon Kokan KK	100	1986	—	4⅝	100	UBS	4.625
‡**Bayerische Ferngas	25	1986	—	7⅜	100	Credit Suisse	7.375
Copenhagen County Authority	50	1991	—	6½	100	Soditic	6.500
§Lonrho Intl. Fin. NV	60	1991	—	8	100	Keyser Ullman, Nordfinanz, Kredietbank	8.00
EIB	80	1991	—	7½	99½	UBS	7.610

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ø Minimum. § Convertible.
Note: Yields are calculated on AIBD basis.

CREDITS

BY PETER MONTAGNON

An oil-borne bonus for Mexico

MEXICO is riding high on a wave of oil-borne popularity. Hard on the heels of the outstandingly successful credit for the foreign trade bank, Bancomext, has come a $250m credit for the United Mexican States bearing a margin of only ⅝ per cent over London inter-bank offered rates or ½ per cent over U.S. prime.

The credit, to be syndicated exclusively among French banks, is being co-ordinated by Banque Nationale de Paris, Credit Lyonnais and Societe Generale.

Admittedly it has a maturity of only three years and is part of a package that includes a FFr. 1.1bn export credit facility for work on the Mexico City metro. Such credits are very lucrative and this can help explain why the banks were ready to concede very fine terms on the non-export credit part of the deal.

But the overall conditions mark a conspicuous easing of margins for Mexico since last summer, when French banks arranged a $250m eight-year credit for the same borrower on the basis of a split ⅝-¾ per cent margin.

Taken together with the success of the Bancomext credit, whose underwriters sold 90 per cent of the original amount in the market, this has led bankers to talk of a possible further reduction of margins for Mexico in the months ahead.

The Bancomext credit bears a margin of ½ per cent for eight years over London interbank rates or ⅜ per cent over U.S. prime. It is to be increased to $550m from the original $350m.

Ironically Mexico's popularity has increased at a time when the cash-flow from its oil exports seems to be falling back. The Mexican Press reported last week that Mexico plans to lift oil output to boost its income from oil, and bankers estimate that in the first two months of this year oil exports were running at an annual rate of only about $14bn compared with the $18bn to $20bn hoped for by the Government.

Ironically, too, the news of Mexico's generous treatment from French banks comes at a time when some observers are wondering whether France itself could still qualify for a margin of only ¼ per cent over Libor.

In fact, however, the Eurocredit markets have taken the results of the French presidential election with considerable calm. There has been no detectable slippage in France's international credit rating since the victory of the Socialist candidate, M. Francois Mitterrand.

Most bankers say that the market would only turn against France if M. Mitterrand were to include Communist Party members in the Cabinet.

The country's credit rating is also unlikely to be put to the test with a major Eurocredit operation before the forthcoming general elections, bankers say. France accelerated its borrowing programme before the presidential elections and has no pressing need for funds.

The task force of banks handling debt negotiations with Poland will meet again on Wednesday in Frankfurt and is expected to consider a proposal to reschedule about $2.4bn of debt maturing between April 1 and the end of this year over seven to eight years.

Poland is now unlikely to obtain an agreement covering all the $3.1bn debt maturing this year—that falling due in the first quarter has already been repaid—and even if the task force agrees to the proposal on Wednesday, it will still have to be accepted individually by all the 460 banks involved.

In other news, Argentina's AUSA highways concern has finally awarded its $150m eight-year mandate to a group of 11 banks on the expected basis of a ⅞ per cent margin above Libor.

The banks are Long Term Credit Bank of Japan, which will act as agent, Banco Hispano-Americano, Banco de la Provincia de Buenos Aires, Banco Exterior de Espana, Crocker, Gulf, Natwest, Sanwa, Tokai, Republic National Bank of New York and Trade Development Bank.

Brazil's Siderbras has awarded a $200m mandate to Manufacturers Hanover. The terms, which have not yet been officially disclosed, are believed to be in line with other recent deals for Brazil which have carried margins of 2¼ per cent over Libor or 2 per cent over U.S. prime.

Despite the optimism expressed by international bankers attending the recent Inter-American Development Bank meeting in Madrid, Brazil seems in no hurry to force a reduction in its borrowing margins.

Ireland has arranged a discreet $100m eight-year club deal on a split ⅝-¾ per cent margin through Gulf International, Mitsui Bank, National Bank of Canada and Societe Generale.

Such terms are standard in today's markets for a borrower as highly rated as Ireland, but it has not escaped the attention of Euromarket bankers that the ⅝ margin included in the terms of the latest credit for Greece has gone down very badly in the market.

The lead managers are now about a month behind schedule in completing a second tier management group for this $400m credit, which bears a margin of ⅝ per cent for the first five years rising to ¾ per cent for the remaining five.

U.S. BONDS

BY DAVID LASCELLES

Signs of compromise on tax plan raise market hopes

SOME OF the dark clouds hanging over the financial markets last week were dispelled on Friday by better than expected money supply figures and signs that the White House may be ready to compromise on the tax plan that Wall Street is so worried about. But the sun is still far from shining through.

Although analysts had warned that the money supply would be up by $5bn or more for technical reasons, M1-B, the most widely watched measure, was up $3.1bn and M1-A up 3.5bn. But this still leaves the short run growth of the money supply at around 13 per cent, more than double the Federal Reserve Board's target, suggesting that credit will remain tight for a while.

Bond prices rose by as much as three points on Thursday and Friday, their first substantial gains for a long time. But the immediate trading outlook is clouded by tomorrow's meeting of the Fed's policy-setting Open Market Committee, where the best that can be hoped for is "no change."

In the longer run Wall Street may draw greater encouragement from what is going on in Washington. The White House, shaken by the dreadful reception its income tax plans have received in the financial markets, seems to be ready to compromise over the 10 per cent a year, three-year cuts it wanted. This is not official yet, but plenty of signals to this effect came out of the White House last week.

Wall Street is desperately worried that the Reagan plan will stoke the fires of inflation by increasing the Government deficit in the short run and unleashing a consumer spending binge. Until the better news started seeping out at the end of last week, bond yields were at record highs with some Government securities returning 5 per cent more than the rate of inflation.

But the slight improvement in the picture only sharpens the market's dilemma. Instead of wallowing in bearishness, it must now ask itself whether the moment has come to catch the peak in rates and go for capital gain as yields decline.

The bullish view is that while the Fed may be forced to keep the cost of credit high for some time, the outlook for the next six months is good. Yields are unnaturally high, record rates will stifle economic activity and cool off demand for credit and Congress and the White House will work out a sensible compromise on the budget.

But it only needs a single word from influential gurus like Dr. Henry Kaufman of Salomon Brothers to shatter this idyll. Dr. Kaufman was unmoved by events last week: he still thinks Government borrowing will depress a market whose very foundations are under threat. Pent-up demand for long-term credit will also douse any major rally. The visible supply of corporate bonds remains high.

Last week, only one big corporate name braved the market—Xerox Credit. It floated $100m of 10-year notes at a yield of 15.4 per cent which sold quite well. But like 10 per cent a years or two ago, 15 per cent cost of funds is a barrier which a lot of corporate treasurers find hard to surmount.

U.S. INTEREST RATES (%)

	Week to May 15	May 8
Fed Funds wkly. avge.	18.39	18.13
3-month Treas. bills	16.50	16.48
3-month CD	18.80	18.80
30-year Treasury bond	13.64	13.91
AAA Utilities	15.75	15.88
AA Industrials	16.00	16.13
Visible Supply of corporate bonds ($bn)	5.85	6.46

Source: Salomon Bros. and First Boston

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Am. Air. 15⅞ 86 (WW)	55	98¾	99¼	+0½	+0⅛	15.52
Amoco 13¾ 88	75	92	92½	+0½	+0¼	15.12
CIBC 14½ 84	185	96⅞	97⅛	+0⅜	−0⅛	15.77
CNE 12¾ 91	100	85⅛	86⅝	+0⅛	−0⅝	15.52
Citicorp O/S Fin. 10 86	300	81⅞	82⅜	+0⅝	−0⅜	15.29
Citicorp O/S Fin. 12 87	200	86½	87	+0⅛	+0⅛	15.33
Con. Illinois O/S 9¾ 85	150	80½	81	+0½	+0⅜	15.43
Dupont Canada 13½ 91	65	91⅝	92⅛	+0⅜	+1⅜	15.11
EEC 11 95 (August)	70	74½	75¼	−1	+0½	15.38
EIB 12¾ 89	75	87⅞	88⅛	+1	+1⅛	15.43
Eldorado 13¾ 86	50	92¾	92⅞	+0½	−0⅛	15.49
Elec. de France 10 88	125	77⅛	77⅝	+0½	+0⅜	15.36
Elec. de France 13 88	125	90⅜	90⅝	+0⅜	−0⅛	15.36
Export Dv. Cpn. 9½ 86	150	80⅛	80⅝	+0½	−0½	15.69
Fed. Bs. D. 12¾ 85 (N)	50	89½	90	+0½	−0⅜	15.51
Fin. Exp. Credit 10½ 85	50	84	84½	+0⅜	−0⅜	15.97
Finland, Rep. of 9½ 86	100	78⅝	79⅛	+0⅛	−0⅜	16.08
Ford Credit O/S 14¾ 83	150	96⅝	97⅛	+0⅞	+0⅛	16.01
Ford Cr. O/S Fin. 16 84	150	100	100½	+0⅜	+0⅜	15.78
Gaz de France 13½ 86	80	94⅛	94⅝	+0⅛	−0⅛	15.20
GMAC O/S Fin. 12 87	100	85⅜	85⅞	+0⅛	−0⅛	15.67
GMAC O/S Fin. 12⅞ 88	100	88⅝	89⅛	+0⅛	+1⅛	15.59
Gen. Mtrs. O/S 11¾ 87	100	85⅜	85⅞	+0⅜	+1⅜	15.38
Genstar 14¾ 91	50	98	98½	+0⅛	+0⅜	15.09
GTE Fin. 13¾ 86 (WW)	50	93⅝	94⅛	+0⅛	−1⅛	15.58
Hudson's Bay 11½ 90	75	80½	81	+0½	+0⅜	15.59
IBM Wld. Trade 12½ 88	200	92⅞	93⅛	+0½	+1⅛	14.11
Newfoundland 13½ 90	60	89¼	89¾	+0⅛	−1	15.75
Nova Scotia 10⅜ 90	50	78½	79	+0⅞	+0⅝	15.17
OKB 10 85	50	84⅜	84⅞	+0⅝	+0⅞	15.21
Ontario Hydro 13½ 91	100	91½	92	+0⅜	+1⅛	15.14
Quebec Hydro 11½ 92	100	77⅞	78⅜	+0⅜	+0⅜	15.79
Queb. Hy. 13 91 (WW)	100	87½	88	+0⅜	+0⅛	15.48
Royal Bk. Canada 14 86	100	96⅝	97⅛	+1½	+0½	14.92
SNCF 12¾ 85	50	91⅞	92⅛	+0⅜	−1⅝	15.14
SNCF 13 91	75	89½	90	0	−0⅛	15.04
Sth. California Ed. 14 87	50	95⅜	95⅞	+0⅜	−0⅛	15.22
Sven Handelsbk. 13¾ 88	45	92⅜	93⅛	+0⅛	+0½	15.46
Sweden 12⅜ 85	150	89½	90	+0½	+0½	15.75
Swed. Ex. Credit 12 83	50	91⅞	92⅜	+0½	−0⅛	16.13
Swed. Ex. Credit 13 86	75	89⅞	90⅜	+0⅜	−0⅛	16.14
Toronto-Dom. Bk. 14 84	50	95⅝	96⅛	+0⅜	+0⅜	15.55
Tribune O/S Fin. 14 86	50	94½	95	+0⅜	−0⅛	15.58
World Bank 9¾ 85	200	83⅝	84⅛	−0⅛	0	15.28
World Bank 10⅝ 87	300	81	81½	+0⅛	+0⅛	15.17

Average price changes... On day +0½ on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 91	100	97⅜	97⅞	+0¼	+0¼	10.41
Austria, Rep. of 8¼ 92	150	86⅞	87⅜	0	−0½	10.18
CECA 7⅞ 92	150	86⅞	87⅜	+0¼	−0⅛	9.78
CECA 10 91	120	99⅝	100⅛	0	−0¼	9.99
Cii-Honeywell 8¾ 90	125	89¾	90½	0	+0¼	10.06
Council of Europe 10 91	100	98⅝	99⅛	+0¼	+0⅜	10.16
EIB 8½ 90	200	88⅞	89⅜	+0⅛	+0½	10.32
EIB 10½ 91	200	100⅝	101⅛	−0⅛	0	10.32
ESCOM 9¼ 87	100	92½	93	−0½	−0¼	10.87
Finland, Rep. of 10 89	100	97	97½	+0⅛	+0¼	10.50
Iberduero SA 9 90	100	91⅞	92⅜	+0⅛	−1⅛	10.38
Ind. Bk. Finland 8½ 90	50	89½	90¼	0	+0¼	10.20
Int.-Am. Dv. Bk. 10 91	100	98⅝	99⅛	+0¼	−0⅛	10.15
Japan Air Lines 8½ 87	100	91⅛	91⅞	+0⅜	+0⅛	9.94
Japan Dev. Bank 7¾ 87	100	88⅝	89⅛	0	+0⅛	10.05
Kobe, City of 8 90	100	88⅞	89⅜	+0¼	+0¼	9.88
Midland Int. Fin. 8½ 90	180	90⅝	91⅛	0	−0⅛	10.05
Nuclebras 9¾ 88	100	88⅝	89⅜	+0⅛	−1⅛	12.07
OKB 8⅞ 92	150	86⅞	87⅛	+0⅛	0	10.30
Oslo, City of 8¾ 90	80	94⅛	94⅞	−0⅛	−0⅛	9.70
Venezuela, R. of 9¾ 90	150	93⅜	94⅛	−0¼	−0¼	10.82
World Bank 8 90	700	86	86⅝	0	−0⅛	10.35
World Bank 10 86	150	100⅛	100⅞	0	−0⅛	9.86

Average price changes... On day +0⅛ on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 6½ 91	60	94⅞	95⅛	0	0	7.22
BFCE 6½ 91	100	97⅛	97⅝	+0⅛	−0⅜	6.89
Bayer Int. Fin. 6¾ 92	100	89½	89¾	+0½	−0⅛	6.57
Bergen, City of 6¾ 91	40	98⅛	98¾	+0¼	+0¼	7.00
Buhrm'-Tetterode 7 90	40	99	99¼	+0½	−0¼	7.13
CECA 6¾ 91	80	95⅛	95⅝	0	+0⅛	7.44
Denmark 5¾ 90	80	85½	86	+0⅛	0	7.98
Dome Petroleum 6¼ 91	100	92½	93	+0⅛	+1	6.77
Elet. de France 5⅞ 90	100	89¼	89¾	0	−0⅛	6.80
Eurofima 5¾ 92	20	†98	98½	−0¼	+0¼	5.96
F. G. H. Hypo. Bk. 6 90	50	91	91½	+0⅛	−0⅛	7.37
Finland, Rep. of 5⅞ 90	80	86½	86¾	+0⅛	0	7.69
Franc. Petroles 6½ 91	80	96⅞	97⅛	+0⅛	+1	6.93
Genstar 7 91	100	99½	100	−0¼	+0⅛	7.02
Int.-Amer. Dv. Bk. 7 91	100	98⅜	98⅞	0	+0⅞	7.18
Japan Dev. Bank 5¾ 90	100	90⅞	91⅛	−0⅛	−0⅞	7.09
Mt. Blanc Tunnel 5½ 90	60	86⅛	86⅝	−0½	−0⅛	7.81
Newag 5¾ 90	80	91⅛	91½	+0⅜	+0⅛	7.06
OKB 7 93	100	98½	99	+0⅛	+0⅞	7.14
Oslo, City of 5⅞ 90	90	91⅛	91½	−0⅛	−1¼	7.16
Philips Lampe 6¼ 92	100	87⅜	87⅞	−0⅛	−0⅛	6.85
Swed. Ex. Cred. 7¼ 91	75	97⅞	98⅛	0	0	7.54
Trade Dev. Fin. 6½ 90	50	90	91½	+0⅛	+0¼	7.53
Voest-Alpine 5¾ 90	80	86½	87	+0½	−3⅛	7.77
World Bank 6 91	100	†91	91½	0	+0½	7.28
World Bank 7 90	100	100⅛	100⅝	+0⅛	+0⅛	6.96

Average price changes... On day +0⅛ on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8¼ 91	15	98½	99	+0⅛	−0¼	8.46
Australia 6½ 88	20	87	88	0	+0¼	8.99
EIB 7¾ 89	12	93¼	94¼	0	−0½	8.83
Finland 5.6 83	10	92⅝	93⅝	0	+0¼	8.90
Finland 6 8 88	10	87½	88½	0	−0½	9.21
Finland, Rep. of 8½ 87	15	98⅝	99⅝	+0⅛	0	8.56

Average price changes... On day +0⅛ on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10¾ 86 C$	60	†85½	86½	−3½	−3½	14.64
CIBC 13½ 85 C$	50	†93	94	+0¼	+1	15.81
CIBC 11½ 85 C$	60	†86½	87½	−1¼	−1½	15.96
Federal Dev. 11½ 90 C$	60	†81	82	+0¼	−1	15.37
First Can. Inv. 10 84 C$	50	†84½	85½	0	−1	16.76
R. Bk. Canada 10 86 C$	40	89	89½	0	−0¼	13.08
Tordom Cpn. 13½ 85 C$	30	†93½	94½	+0¼	+0⅛	15.72
M. Bk. Dnmk. 9 91 EUA	25	90⅛	91½	−0⅛	−0⅛	10.45
SOFTE 8¾ 89 EUA	40	88½	89½	+0¼	+1¼	10.35
U. Bk. Nwy. 9½ 90 EUA	16	96⅝	98	−0⅛	−0⅛	9.96
Algemene Bk. 10¼ 86 Fl	60	96⅛	96⅝	+0⅛	+1⅛	11.24
Bk. Mees & H. 10 85 Fl	75	96⅛	96⅝	+0⅞	+0⅛	11.10
Heineken NV 10 87 Fl	100	93⅝	94⅛	+0⅛	+0⅛	11.36
Nat. Nedrldn. 10 88 Fl	60	93⅛	93⅝	+0¼	+1⅛	11.41
Ned. Midd. Bk. 10 85 Fl	75	96⅜	96⅞	+0⅛	+0⅛	11.14
Pierson 10¼ 86 Fl	50	96⅜	96⅞	+0¼	+1⅛	11.17
Air France 14½ 86 FFr	200	94⅛	95⅛	−0⅛	−3⅛	15.94
Bk. America 14½ 86 FFr	250	95⅛	96⅛	0	−2⅛	15.76
Charb'nages 13⅞ 85 FFr	400	93⅛	94⅛	+0¼	−3⅛	15.81
EIB 14⅛ 88 FFr	300	94⅛	95⅛	0	−3½	15.42
La Redoute 14⅛ 85 FFr	126	92⅛	93⅛	−0¼	−2⅛	16.49
OKB 14 86 FFr	400	94⅛	95⅛	+0¼	−3⅛	15.59
Solvay et C. 14⅛ 86 FFr	200	100⅞	101⅞	0	−1⅛	14.29
Swed. Ex. C. 14⅛ 86 FFr	250	93⅛	94⅛	0	−3⅛	16.35
U. Mex. Sts. 14 85 FFr	150	93⅛	94⅛	0	−3	16.02
Acona 14 85 £	20	94⅛	94⅞	0	0	15.70
Beneficial 14¼ 90 £	20	90⅛	90⅞	0	−0⅛	16.21
BNP 13½ 91 £	15	93⅛	93⅞	0	−1⅛	14.76
CECA 13½ 88 £	20	93⅛	94⅛	0	−0⅛	14.77
Citicorp O/S 13½ 90 £	50	93⅛	94⅛	−0⅛	−0⅛	14.75
Fin. Ex. Cred. 13¼ 86 £	15	95⅛	98⅛	−0⅛	−1⅛	15.01
Gen. Elec. Co. 12½ 89 £	50	91⅛	91⅞	−0⅛	−1⅛	14.35
Hiram Walker 14⅛ 86 £	25	95⅛	96⅛	0	−0⅛	15.41
Privatbanken 14½ 88 £	12	94⅛	95⅛	−0⅛	−0⅛	15.72
Rothschild 14⅛ 90 £	12	96⅛	97⅛	+0⅛	−0⅛	14.83
Royal Trustco 14 86 £	12	96⅞	97⅛	0	−0⅛	14.79
Swed. Ex. Cr. 13⅛ 86 £	20	95⅛	96⅛	−0⅛	−0⅛	14.85
Banobras 8¼ 90 KD	7	†90	90½	0	0	9.98
CCCE 8⅛ 91 KD	10	†87½	88½	0	0	11.03
Sonatrach 8½ 90 KD	12	†93	93½	0	0	9.66
Akzo 9⅛ 87 LuxFr	500	85⅛	86⅛	0	+0⅛	12.61
Euratom 9¾ 88 LuxFr	500	89⅛	90⅛	−0⅛	−0⅛	12.08
Eurofima 10½ 87 LuxFr	500	92⅛	93⅛	−0⅛	−0⅛	12.12
EIB 9¾ 88 LuxFr	600	90⅛	91⅛	−0⅛	−0⅛	11.80
Volvo 9¾ 87 LuxFr	500	86½	87½	+0⅛	+0⅛	12.77

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bank 5¼ 87	0¼	98⅞	99⅜	2/7	16¼	16.77
Bank of Montreal 5¼ 90	0¼	99⅜	99⅞	18/6	19½	19.80
Bank of Tokyo 5¼ 89	‡0¼	98	98½	25/7	16½	16.79
BBL Int. 5 86	0¼	99⅛	99⅝	20/5	16½	16.56
BNP 5½ 88	‡0¼	98⅛	98⅝	29/7	16.44	16.62
CNT 5¼ 86	§0¼	99	99½	16/10	16.81	15.94
Christiania Bk. 5½ 91	‡0¼	97⅝	98⅛	5/8	17.31	17.69
Citicorp O/S F. 84	‡0	99	99½	30/5	16⅞	17.00
C. Itoh 5¼ 87	0¼	98⅛	98⅝	18/9	15.44	15.65
Co-operative Bk. 6 86	0¼	98⅞	99⅜	15/6	15⅛	15.46
Den Norske Credit 6 90	‡0¼	98⅛	98⅝	5/8	17.31	17.56
Genfinance 5¼ 87	0¼	98½	99	30/10	16.94	17.15
Giro und Bank 5¼ 91	‡0¼	97½	98	23/6	14.06	14.39
GZB 5½ 89	‡0¼	98⅛	98⅝	1/8	17.31	17.58
Ind. Bank Japan 5¼ 87	0¼	98⅝	99⅛	15/10	17.06	17.28
Ind. Bank Japan 5¼ 86	0¼	98	98½	9/10	16.44	16.73
Lloyds Eurofin 8 90 £	0¼	96⅞	97⅜	3/7	14½	14.97
Lloyds Eurofin 5¼ 92	0¼	98½	99	4/6	17¼	17.47
LTCB Japan 5¼ 86	0¼	99⅝	100⅛	13/6	20.19	20.16
Man. Hanov. O/S 5¼ 94	‡0¼	98½	99	30/5	17	17.22
Merrill Lynch O/S 87	0¼	99⅝	100⅛	7/8	20.44	20.41
Midland Int. Fin. 5¼ 92	0¼	98½	99	5/6	17.19	17.41
Midland Int. Fin. 9 91	0¼	97½	98	30/10	16.81	17.20
Nacional Fin. 6¼ 86	0¼	98⅞	99⅜	26/7	17¼	17.91
Nacional Fin. 5½ 88	0¼	96½	97	25/9	14⅞	15.35
Nat. Bk. Canada 5¼ 88	0¼	97⅛	97⅝	24/9	14½	14.89
Nat. West. 5¼ 94	‡0¼	97⅛	97⅝	14/10	16.19	16.60
Nat. West. 5¼ 92	§0¼	97⅛	97⅝	23/10	16.81	17.22
Pemex 6 91	0¼	96½	97	8/10	15.31	15.83
Sparebanken 6 87	0¼	99	99½	19/6	19⅞	20.03
Standard Chart. 5¼ 90	0¼	98	98½	3/9	17.06	17.37
Svenska Hndlsbk. 5 87	0¼	99	99½	15/7	17.81	17.95

Average price changes... On day 0 on week +0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Bow Valley Inv. 8 95	4/81	23.12	96½	98	0	15.29
Canon 6¾ 95	1/81	829	173	174½	+8¼	1.46
Credit Suisse 4¾ 93	10/79	1236	89	91	0	0.34
Digicon Fin. 8½ 96	10/81	29.5	117¼	118¼	+5	−2.30
Hanson O/S Fin. 9½ 96	8/81	2.74	91	91¼	+1	8.13
Ina Overseas 8¾ 2000	4/81	42	101	102	+1	0.31
Inchcape 8 95	2/81	4.56	88⅛	89⅛	+0¼	−0.16
Kotobukiya Co. 7 96	4/81	619	†96	97	+4¼	−1.91
Marion Int. Fin. 9 95	12/80	15.5	83⅛	85⅛	+1⅛	21.48
Matsushita El. 7½ 95	11/80	590	101⅞	102⅞	−0⅛	3.40
MEPC 8¼ 95	2/81	2.47	91⅛	93¼	+0⅛	11.61
Nissho-Iwai Co. 8 96	10/80	398	172	74	−3½	−3.35
Ricoh 6½ 95	8/80	604	126⅛	127⅛	+5¼	4.91
Sumitomo M. Ind. 7 96	2/81	191	129⅛	130⅛	+1⅛	1.07
Swiss Bk. Con. 6⅛ 90	9/80	200	74½	76½	0	21.67
Taylor Woodrow 8¼ 90	1/81	4.94	105⅛	106⅛	+0⅛	3.02
Tokyu Land Cpn. 7¼ 96	4/81	329	98⅛	99⅛	+0⅛	4.20
Transco Int. 8¼ 95	2/81	68	81¼	83⅛	0	17.77
Tricorp 8½ 95	12/80	31.25	81⅛	82⅞	0	28.93
Union Bk. Switz. 5 89	2/80	70.79	71⅛	73⅛	+0⅛	1.37
Fujitsu 5 84 DM	7/79	431.5	185⅛	186⅛	−1⅛	−2.12
Sharp Cpn. 6 88 DM	9/80	595	184⅛	185⅞	+5⅛	2.38
Uny-Co. 6½ 85 DM	11/79	879.3	106	107	0	0.74

EUROBOND TURNOVER
(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week	1,105.0	3,369.9
Previous week	1,559.1	4,399.7
Other bonds		
Last week	541.7	579.0
Previous week	828.2	736.5

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Arab Company for Trading Securities SAK; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Credit Commercial de France (Securities) London; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Manufacturers Hanover; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Orion Bank; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on May 15

Property Refurbishment

Although the refurbishing industry has suffered from the effects of the recession, and Government cutbacks have severely limited projects in the public sector, a buoyant market has been maintained in prime areas—particularly the City of London. Planning consultants and interior improvements are also enjoying increasing growth and, despite rising costs, the difference in rents continues to justify upgrading offices.

Prestige sector keeps its allure

By Lorne Barling

WHILE THE prestige sector of the refurbishing market is behaving almost as if there was no recession, in particular the demand for high quality property in the City, activity has slowed down considerably in other areas, especially in some provincial cities.

The substantial cut in the volume of public funds being channelled into refurbishing council housing — due to Government curbs on spending—has also hit companies operating in this field. Although many councils recognise the benefits of major improvements to their housing stock, most are now reduced to carrying out essential repair work.

On the other hand, funds from institutions continue to be available in large volume, mainly for City office projects, and with a greater than average number of leases due to fall in over the next 18 months to two years, some contractors believe there could be a boom in refurbishing work in central areas.

The City appears to have no problem in finding tenants who will pay top rental prices, and the expense of high quality refurbishing work is widely held to be worthwhile since this is almost always reflected in the level of rent attainable.

This high level of activity has led to more projects being planned in advance, particularly on work which will cost over £1m—an increasingly common figure for the City. One building which is attracting considerable attention is Atlas House in King Street. This will be vacated later in 1981 and will be available for refurbishment work worth up to £5m.

Competition for this project has been intense with large companies, such as Costain Renovation, making bids, but, as is more frequent these days, the contract will not be awarded on price alone. Contractors have been closely interviewed to assess their capabilities.

According to Mr. Robert Hedlam, senior partner of the chartered building surveyors Hunter and Partners, there is a growing preference for a two-tier system of management to be set up, with the funding institution appointing surveyors and architects to ensure that there are no design or construction deficiencies. This is becoming necessary, Mr. Hedlam suggests, due to the increasingly competitive nature of the market which encourages cost cutting, while in some cases problems arise out of the inadequacy of architectural detailing. Most surveyors now advocate as much forward planning as possible to reduce the time spent on site by contractors.

Although some refurbishment projects are now almost as costly as completely rebuilding them, particularly where façades must be retained to meet planning requirements, it is usually at least 30 per cent cheaper to improve existing property. However, despite the expertise of contractors, the full extent of problems on an old building may not be discovered until work has begun.

While there is now considerable price cutting — even to the extent of smaller contractors doing work on minimal margins to keep busy — costs have risen fast, to between £36 and £42 a sq ft, particularly in the City where the constraints of working in a busy, cramped environment add to the expense. This type of work is labour intensive, since conventional construction equipment such as tower cranes can seldom be used. One recent project was completed at a cost of £120 a sq ft, but was justified in terms of the subsequent rent.

Manually

As a result of space problems in the City, materials are often handled in small quantities and have to be moved into position manually. Heavy lifting sometimes has to be done overnight or at weekends—which add to the wages bill for overtime. The ability, on an open site, to place almost everything with a tower crane partly explains the sometimes narrow cost differences between refurbishing and redevelopment.

Contractors with a broad geographic spread of work report a drop in the average size of contracts since the start of the recession, with the developers apparently choosing less ambitious refurbishing options on property which is not prime grade. In general, contractors have seen a number of new entrants on tender lists for medium-sized projects, among them some of the construction giants. Most of these concerns have special refurbishment divisions or subsidiaries, and include Myton (part of Taylor Woodrow), Wates Special Works, Trollope and Colls (part of Trafalgar House) and Bernard Sunley, Mowlem, Wimpey and Bovis, Cubitts (part of Tarmac) and Laing are all active.

Costain Renovations is now working on more than £10m worth of refurbishment in the London area. Bernard Sunley has a £5.7m contract, among others, to upgrade seven floors of the former Spillers head office at Old Change House, Cannon Street. John Lelliott has just announced new contracts worth £2.1m and currently has more than 30 projects in hand. Mr. John Lelliott said: "We have a large amount of work, but there is no doubt that margins are not as good as they were, due to the competition. Our latest contract is a £2m refurbishing job for Standard Life Assurance in Gresham Street."

While Mr. Lelliott accepts that little work can be expected from the public sector for some time, he believes that the prospects are generally healthy for this year and next. He added that there has never really been a downturn in the City, it was only more companies competing for the same amount of business.

Other sectors of the UK refurbishing industry have nevertheless suffered from the recession. The already limited amount of work which has been taking place to improve factory premises has been hit by falling demand for industrial space in many areas, while office improvement work in some regional cities has slowed down. It is notable, however, that in most cities there is still strong demand for improved premises in prime areas, particularly the banking and commercial centres.

Suffered

Companies which specialise in exterior cleaning and improve-work, who until recently experienced a very active phase of repairing and removing grime from historic buildings in London, have inevitably suffered from cuts in Government spending. However, this has been compensated to some extent by the continued work for banks, insurance companies and other City institutions.

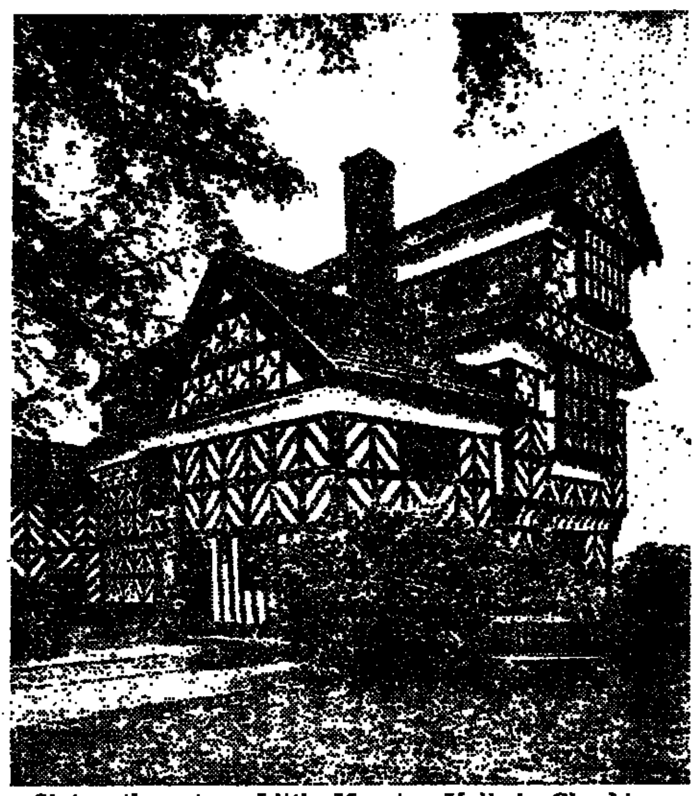
The role of the institutional investor as the ultimate funding source for City refurbishing remains crucial, and confidence is essential to maintain momentum. During the winter there was some hesitation about a number of projects, but many of these are now coming to life again. While these funding bodies are still hesitant about less than prime property improvement, it is likely that these will become more acceptable in future if demand does improve and the institutions continue their policy of becoming more closely involved with the details of schemes, allowing greater confidence in their outcome.

A sector of refurbishing work which in proportional value terms, has grown rapidly, is interior improvement either in conjunction with an overall scheme or by itself. With the advent of advanced electronic business equipment, large numbers of offices are having to accept the need for major changes in structure, and the complications involved often require the services of planning experts, such as Space Planning Services.

Mr. Roger Henderson, the company's managing director, points out that a number of special techniques need to be employed in older buildings to deal with modern telecommunications, such as special suspended floors and desks with cableways for video terminals. His company has been involved in a number of bank dealing room improvements, and jobs for shipping and insurance companies and advertising agencies. One of these completed recently was valued at more than £2m.

Planning companies such as SPS are increasingly important as a link between the client and the main contractor, allowing consultation on aspects such as furnishing, now often supplied as a system, with a number of new designs coming from the United States and Canada.

Overall, there is an increasing need for refurbishment projects to be fully integrated and the many disciplines involved to be managed skilfully. Recent market conditions have not always encouraged this, but most specialist contractors are continuing to move in this direction.



Sixteenth-century Little Moreton Hall, in Cheshire. Repairs were carried out by R. Bridgeman and Sons for the National Trust on the roof of the long gallery and the building was restored to its authentic colours of cream and brown

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Favourable conditions despite rising costs

OFFICES

LORNE BARLING

MANY DEVELOPERS are confident that the effects of the recession on demand for office space in the City of London are going to be less severe than once feared and that the time is now right to go ahead with projects for completion in 1982 and 1983.

However, since additional floor-space can seldom be gained through demolishing and rebuilding in the central area of the City, refurbishment has become financially more attractive, particularly since such projects can be completed much faster than complete redevelopment. Rental trends have also been favourable.

According to the latest office accommodation review by property consultants and chartered surveyors, Richard Ellis, the conditions for refurbishing work are now good, especially for relatively modern buildings which have been upgraded but not refurbished to a high standard.

"The general standard of this accommodation is low in comparison with the office stock in other major international centres. Some scope exists for improving these offices and the start of a trend has already been noticed. Lansec House in New Fetter Lane and Gateway House near St. Paul's are examples of modern buildings which have been improved in recent years," says the review.

Lower growth

According to a City rent index during the past six-year office market cycle, quality refurbishments have shown slightly lower growth than prime new buildings but this must be seen in the context of far shorter work periods for refurbishment jobs, a factor which remains important.

Although refurbishment costs have risen sharply over the past few years, partly because of the improved quality of work and partly the more ambitious approach in many cases, the rental differential between old and refurbished offices remains sufficient to justify upgrading.

Significantly, air-conditioned buildings, either recently built or substantially refurbished, have experienced faster rental growth than others by an average of one per cent per annum, and research indicates that the differential could be widening.

This, however, is merely one of the many factors which must be considered when a refurbishment scheme is considered and it is now generally accepted that the more carefully a scheme is planned, in consultation with architects and other professionals, the more cost-effective the project will be.

In most cases a number of options are available, ranging from minimal improvements to a complete redevelopment—although this is increasingly difficult in the City—and the middle course is most popular although even then there are often difficult decisions.

These include such considerations as how much of the existing buildings to retain to maximise the use of potential space at reasonable cost, often with the constraint of having to retain facades and use existing structures which are unsuitable for modern loadings.

While some contractors specialise in refurbishing occupied buildings, this is increasingly costly and becoming less acceptable, although interior improvements are often carried out on this basis for banks, insurance companies and organisations which urgently need to improve the working environment.

But whatever the decision about the kind of improvement, it is regarded as vital for a full set of options to be presented at the earliest possible date, since an additional month's planning can save considerable — and expensive — time on site. Similarly, advice on leases and statutory requirements ought to be sought at an early stage.

While most of the established refurbishing experts are able to provide this kind of planning detail, often in conjunction with chartered surveyors, some of the newer entrants into an attractive market are more concerned with quoting low prices, many of which are judged to be unrealistically low when compared with other estimates.

Clients often appear to be out of touch on prices and one leading consultant, backed by considerable experience, has established that the actual cost of a refurbishing job is usually two and a half times the expectation of the client.

Moreover, work carried out on buildings for owner-occupiers is often mismanaged by the companies concerned, since they seldom realise the magnitude of the work-load on the person designated to be responsible. Consultants advise that a senior member of management — perhaps the company secretary or finance director — should be temporarily relieved of some other duties to manage a refurbishment scheme in close consultation with those involved.

Contract system

It is also regarded as essential that changes of plan during the construction phase should be avoided if possible, since the additional costs in delays, though not immediately apparent, can be high. Some consultants now favour the American contract system which includes penalty clauses for any late changes.

Although the geographical spread of office refurbishing work in London remains centred on the City, offices throughout the London area and the West End are providing a higher volume of business for companies such as Ashby and Horner, French Kier, McLaughlin and Harvey, Higgs and Hill, J. Jarvis and Son, Marshall Andrew (part of Norwest Holst) and R. Mansell.

Mansell has been working towards a number of projects in London's docklands, which could become a kind of overspill from the City, although there is perhaps more scope in the refurbishment of existing office buildings south of the river. However, considerably lower rents there reflect the conservatism of companies which find it necessary to be in close walking distance of their associated businesses.

The office renovation market has probably seen a relative increase recently in the amount of interior work, particularly in high quality buildings where the exterior is still acceptable, since many see this approach as good value for money at present.

According to Space Planning Services "fitting-out cost index," however, there is little sign of the rise in fitting-out costs slowing down. "The price increases in the last four months are nearly all due to materials price rises as no relevant labour increases have been awarded during this period. The monthly percentage increase has now slipped below 1.5 per cent but we do not feel that this is a significant trend," says SPS.

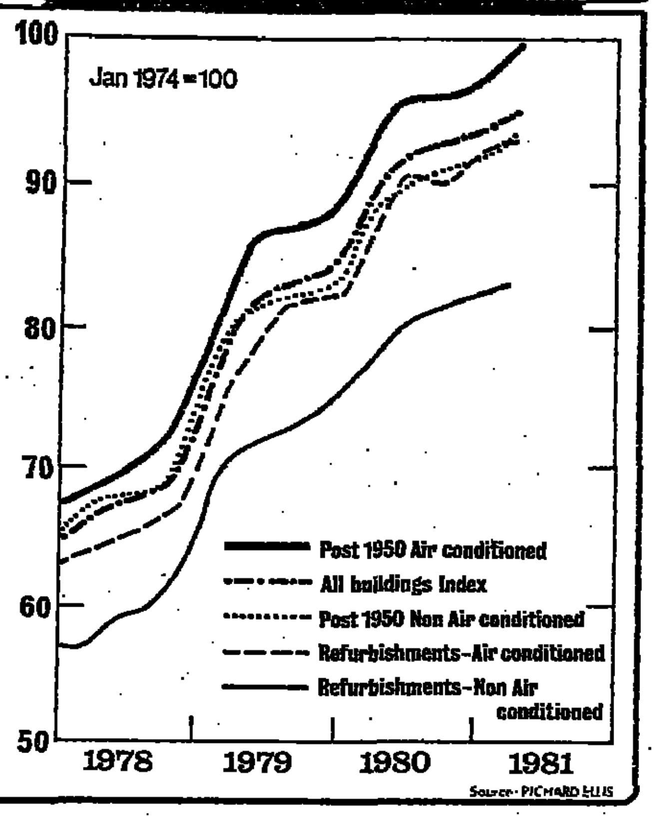
The overall increase in the index since the base date of April 1, 1979, has now reached nearly 28 per cent and the cost of a hypothetical contract works out at more than £12 a square foot. Nevertheless, there are considerable advantages in going ahead with improvements, according to a survey carried out by MAS Survey Research for Brook Street Bureau, notably to help retain staff.

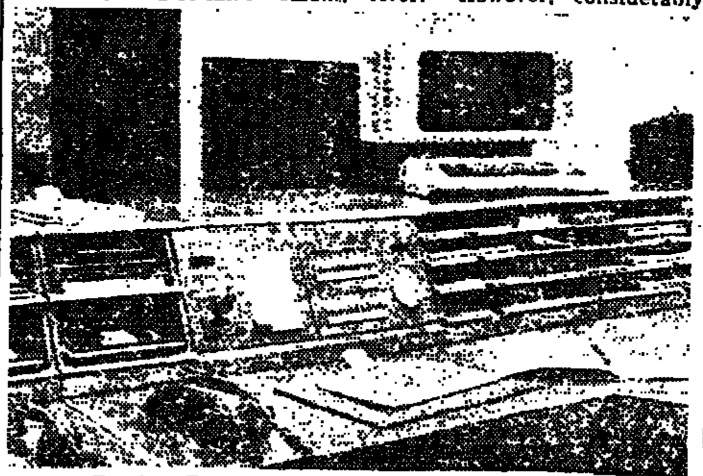
"It is usually more cost-effective to try to improve the work situation rather than suffer a high turnover of personel," Brook Street says. "Even minor changes to the working environment, such as improving office decor, changing office layouts and replacing equipment more frequently, can go a long way towards removing disruptive stimuli." Significantly, the survey showed that it is not money but lack of job satisfaction and the right working environment that create the greatest incentives to move.

Office Planning Consultants, a major specialist in office layout and communications, points out the numerous advantages such as streamlining office procedures, cutting telephone bills, reducing rent and rates by shedding wasteful office space and generally improving company efficiency.

The advent of sophisticated communications systems is likely to be one of the biggest incentives to major office reorganisations and while a project such as this can be expensive, it is also likely to be making important savings in the longer term.

Comparative performance of City office rental indices





The Dealer Board at Girozentrale Vienna, Morgan House, EC2, which was designed by Office Planning Consultants

Greater appreciation of the fabric of history

PRESTIGE PROJECTS

DAVID CHURCHILL

REFURBISHING, especially exterior work, comes into its own when prestige is at stake since this is a clear sign of a company's prosperity or an organisation's commitment to maintaining the fabric of history. Moreover, in spite of the economic recession, many contractors report that demand for the refurbishment of prestigious or historic buildings is growing.

The reasons advanced for this are varied, but there is clearly a change of atmosphere by companies towards the exterior of their premises. In the 1960s and 1970s, many companies preferred the modern look of glass and concrete towers, but over the past few years there has been a distinct swing back towards a more classical style of premises.

However, one company is combining the two fashions—the National Westminster Bank in London. Next month the Bank will officially open the Natwest Tower in the City of London, the tallest structure in Britain, but at the same time the opening of this ultra-modern building will mark the return of St. George and 16 companions to Natwest's London offices.

The statues of St. George and his companions—together making the largest group in London of free-standing statuary—are situated on top of the Bank's premises in Bishopsgate which forms part of the central complex including the new tower. The statues, carved out of Portland Stone, are allegorical figures first erected in 1865 on what was then the head office of the former National Provincial Bank. The statues had been badly eroded over the decade, so they were removed for restoration in 1970 by Peter Cox, a member of the SGB group. The largest figures are more than 8 feet tall and the individual pieces weigh up to 3 tons.

After restoration, the statues were held in store at Mitcham until the Tower was completed. Before their reinstatement, the statues were given a covering of protective silicones applied under vacuum pressure. The entire facade of the Bank's premises at 15 Bishopsgate were also cleaned and refurbished by specialists from Peter Cox.

Gargoyles

Four other saints — and a sprinkling of gargoyles—have also featured prominently in the refurbishing work carried out by R. Bridgeman and Sons —part of the Linford Building Group—at Westminster Abbey. Bridgemans has been involved in carving four full statues—St. Michael, St. Gabriel, St. Raphael and St. Uriel—to stand in the alcoves on the north transept of the Abbey. The statues replace those which were too badly eroded to be restored, even though the originals were less than 100 years old.

The new statues, which are carved from Portland Stone, are expected to last for up to 500 years. Bridgemans was invited to carve the statues for Westminster Abbey by Rattee and Kett of Cambridge, the firm handling that phase of the restoration work.

The restoration of Manchester's Albert Memorial was another project carried out by Bridgemans. The Memorial had been partly dismantled since the 1950s when the top section of the spire and various other pieces were removed for safety. Deterioration was so far advanced that at one time it seemed likely that the Memorial would have to be demolished but it was designated a Grade I listed building and a public appeal was launched to pay for its restoration. By 1976, the appeal committee had raised enough money for work to begin.

The first step was for the Memorial to be cleaned. A Manchester company, Cleanwalls, offered its services free and another company, Leane Scaffolding, supplied the scaffolding, making no charge for the erection and dismantling. Bridgemans then carried out the restoration of the stonework, including carving two new trumpet angels and other figures including gargoyles. Bridgemans also had to take down and rebuild the spire and reconstruct the four pinnacles. The restoration was completed in a year and a trust fund was set up for future maintenance.

Bridgemans specialise in the restoration of historic houses and churches and their contracts have included the first phase of Little Moreton Hall in Cheshire and the restoration and refurbishment of the stable block at Warwick Castle to provide new facilities for visitors. Recently, Bridgemans has been working on Dunham Massey Hall in Cheshire where the company has also refurbished stable blocks to provide restaurants and offices.

The London stone cleaning contractors Szerelmey has undertaken work on buildings such as the Houses of Parliament, embassies, churches, and the Bank of England. In the company's experience, refurbishing work carried out on one building will often lead to other buildings in the same area having work done to avoid looking dowdy by comparison.

Heart of London

One of the most publicised prestige refurbishing projects in recent years was opened last summer in the heart of London. This was the restoration and refurbishing of the Central Markets in London's Covent Garden. The Central Markets building, which was constructed in 1830, had been empty since the vegetable market moved to the Vauxhall site in 1974. Their restoration and refurbishment was carried out by the Greater London Council at a cost of around £4m and the building now houses some 50 shops and restaurants.

Last month the council was awarded the Europe Nostra Medal for the project, which forms the centrepiece for the redevelopment of the whole Covent Garden area.

This redevelopment has been the subject of much bitter argument over the past decade, with conservationists anxious to prevent the area being turned into offices. The latest dispute is over the future of the Jubilee Hall in Covent Garden, which is currently being used as a sports hall. There are now proposals for a new street market to be created, although there are still plans for office development.

One Covent Garden refurbishment project that is already under way is in Floral Street, close to the Royal Opera House. The Wates building company is carrying out a refurbishing and extension scheme for Bertorelli Brothers, the restaurant owners. The scheme will provide a wine bar, restaurant, offices, and some flats and is likely to be finished by early next year.

Another project that has yet to be started is for the Iranian Embassy in London's Princes Gate. The building was gutted following the SAS raid last year which ended the embassy siege. A dispute over who should pay for its refurbishment—the Iranians believe it should be the British Government—has prevented the work from starting.

Restoration of the partly dismantled Albert Memorial, in Manchester, was funded by public appeal, carried out by R. Bridgeman and Sons and completed within a year

Renovation work affected by cutbacks in local authorities

HOUSING

GARETH GRIFFITHS

A SERIES of recent surveys has thrown into sharp relief the decline in the renovation and refurbishment work by most local authorities which follows the combined effects of the recession and public spending cuts.

The last full-scale study of housing conditions, published in 1978 but referring to housing two years earlier, found that one in five houses was in an unsatisfactory condition—that is 3.2m properties in England out of a total of 17m. The position since then has deteriorated, according to the National Home Improvements Council, with between 70,000 and 100,000 dwellings a year falling into disrepair. The private rented sector in particular has suffered from poor housing.

Renovation work has therefore a strong impetus because a high level of work is needed just to keep the housing stock position from further deterioration. Both Government and local councils see it as a way to improve the nation's housing stock at a lower cost than building new property and to provide a boost for the hard-hit building trade.

The Association of Environmental Health Inspectors published a study two months ago on what local housing authorities planned to spend in the current financial year. Some 287 councils took part in the study in England; 18 per cent of authorities said they were giving no improvement grants.

Some 40 per cent of authorities are restricting improvement grants and have reduced their programmes. These cuts take the form of either the payment of a reduced percentage of the total improvement costs or limitation of grants to people with disabilities and excluding other groups.

Renovation work has also been hit in other ways. There are 95 councils operating area improvement schemes but 78 per cent of these are either curtailing or delaying projects. Some 33 authorities replied to the Environmental Health Inspectors' survey about slum clearance and 66 per cent have cut such schemes.

Home loans for property which is often unmortgagable through a building society or clearing bank proved one of the main weapons for the drive in the 1970s to refurbish old property. But 40 per cent of councils say they are now unable to give any home loans for improving property.

A survey to be published next month by the Greater London Council, the Department of the Environment and the London Boroughs Association suggests a similar position. Nearly one home in 10 was statutorily unfit and up to 25 per cent of the capital's housing is thought to be unsatisfactory.

Liverpool has nearly a third of its homes in a sub-standard condition according to a recent study on Merseyside. The conurbations in particular have a large-scale problem of derelict or sub-standard accommodation which is nevertheless structurally sound.

Houses can be renovated in the private sector if they have a further 15 or 20 years' useful life and 30 years for public sector property. The qualifications for owner-occupiers having to live in improved property for a given period after the work has been completed to qualify for aid have now been lifted.

Gentrification

This bleak picture is in contrast to the optimism about renovation in the 1970s which added the word "gentrification" to the language. Government improvement grants introduced in 1969 reached a peak of 237,976 in 1973 compared to the Department of Environment's figure of 137,232 grants for the first nine months of 1980—the latest available.

The crunch on local authority housing expenditure culminating in last autumn's moratorium appears to have hit council house building more than renovation work. Although the lead time for home improvement grants is short, often just three to four months, renovation figures often refer to work started two years ago when the then Labour Government's housing allocation was still in force.

Many housing departments believe that renovation offers better value for money than the building of new property. An analysis of the various housing investment programmes throughout the country suggests that despite cuts refurbishment and renovation have escaped more lightly than the new starts schemes—now expected to be around 30,000 this year, compared to more than 120,000 new council houses a year in the 1970s.

Last summer Shelter, the housing pressure group, found in a comparative study of spending plans that before the moratorium councils in 1980 to 1981 planned to cut housebuilding by 44 per cent, improvement grants for council-owned premises by 32 per cent, improvement grants by 6 per cent, home loans by 8 per cent and housing associations by 10 per cent. This followed a series of cuts the year before.

Renovation as a policy received official impetus from the Government in the 1980 Housing Act but ironically the day grant payments were increased and the Government announced its moratorium on local authority capital spending on housing.

The 1980 Act provided for alteration in the three basic schemes under which grant is paid.

- General improvement grants carry a maximum of £11,500 in Greater London and £8,500 outside. The general improvement grant is to be used for items like ensuring adequate lighting, wiring and ventilation.
- Intermediate grants for basic standard priorities such as sinks, bathrooms and inside toilets were increased across the board.

The grant for a bath or a shower, for example, has been increased to £375 in Greater London and £285 outside. WC grants have gone up to £565 in the capital and £430 in the rest of the country.

- Repair grants are now allowed on pre-1919 houses. Previously repair grants had only been allowed on properties in housing action and general improvement areas. The maximum repair grant in London is now £5,500 compared with £4,000 in the regions.

During the first nine months of 1980 local authorities paid out £596.6m in improvement grants. Guidelines have been relaxed somwhat under the new legislation and for the first time tenants of both private and public sector landlords are able to apply.

Priority cases

The maximum grant payable is 75 per cent of costs in renovating properties in priority cases—that is, in housing action areas. Property in general improvement areas attracts a maximum 65 per cent grant but in cases of hardship grants can be increased to up to 90 per cent of total cost.

The nature of renovation and home improvement grants works generally in the favour of the private building industry. Local authorities increasingly put out their refurbishment contracts to tender rather than simply relying on their direct labour departments. The small-scale projects and home improvements are generally more attractive to smaller building companies and householders usually choose small local builders for domestic work.

The National Home Improvements Council (NHIC) is concerned that there could be a shortage of suitable builders for renovation work in the near future. Refurbishment work on houses requires more than the skills of a general builder than the work methods used on building new houses. The general shortage of work in the building industry means that refurbishment work can be carried out at present but the NHIC is worried that there could be skill shortages and bottlenecks should there be any upturn in building activity.

Close relationship advised to suit the client's needs

SPECIALIST CONTRACTORS

DAVID CHURCHILL

EVEN BEFORE a final decision on refurbishing work has been taken by a company, the specialist contractor can play an important role in determining the type of work to be undertaken.

Such a role was sought a decade ago by J. Walter Thompson, one of Britain's biggest and best-known advertising agencies. JWT has occupied offices in London's Berkeley Square since the end of the last war and undoubtedly considered the premises to be its spiritual home. In the early 1970s, however, the growth in its advertising work forced it to consider moving to new offices, this time located in the Cromwell Road adjacent to the West London Air Terminal.

By the mid-1970s JWT was faced with delays in the project, including a reduction in the office space allowed by its Office Development Permit from 198,000 sq ft to 100,000 sq ft. This cast doubts on the viability of the project and so JWT called in the help of outside consultants, Space Planning Services of Hillingdon in Middlesex.

SPS carried out a thorough investigation of JWT's working methods and its needs and came to the conclusion that the proposed new offices would not help JWT cope with its long-term requirements. Lengthy discussions with JWT's architects found that altering the building's design would not help. It was also felt that there would be other problems associated with the proximity of the air terminal and the degree of restricted access to the site.

Finally JWT came to the conclusion that perhaps the Cromwell Road was not suitable for a major advertising agency, so it renewed its lease on the Berkeley Square offices and started planning a phased programme of modernisation. Early in 1979 it called in SPS again to prepare for refurbishing the offices but it was not until March of last year that SPS was briefed to provide detailed planning and interior design schemes for the fifth floor of the building and commissioned to manage the implementation of the whole project.

Schedule

The first interior wall was demolished by the beginning of July and the work completed in November. SPS's contract with JWT has been organised and negotiated on the basis of a priced schedule of rates for work on each floor and JWT has the option to delay or abandon any phase if necessary. SPS has developed a budget for the whole building on this basis, broken down into individual work areas, and this is updated as construction on each floor starts.

SPS's involvement with JWT over a period of 10 years is not untypical of the close relationship that exists between specialist contractors and their clients, a relationship that both sides know is important to achieve the best possible results. Another aspect of this role was spelt out by Mr. R. Tully, senior partner of consulting engineers Buckle and Partners, who points out that management in companies often tend to forget about the need for refurbishing until it is too late.

"Once it is established that the services in a building require upgrading, an independent consulting engineer should be called in to undertake a detailed survey, not only of the electrical and mechanical services under review, but also of the fabric and structure which may be affected by changes," said Mr. Tully. Experienced independent consulting engineers will offer advice on the most cost-efficient method of refurbishment. "His experience will undoubtedly save you money and, as for his own fee, it is regulated by the rules of the Association of Consulting Engineers."

In general terms, Mr. Tully warned that electrical and mechanical services may have to be upgraded, overhauled, partially renewed and sometimes wholly replaced twice or three times in the life of any contemporary building. Such services include the power supply, lighting, heating, ventilation, air-conditioning, kitchen services, lifts, and escalators.

Higgs and Hill, one of the leading national contractors, likewise believe in the early involvement of the contractor in refurbishing contracts. "The main contractor also has an important part to play in co-ordinating pre-design and pre-planning so that everything runs smoothly," said the company.

A separate sector of specialist refurbishing contractors covers exterior cleaning, particularly on prestigious or historic buildings. In the London area, there are about half a dozen large companies which specialise in this type of work. These companies include the long-established concern Szerelmey, the London Stone Cleaning Company, Peter Cox, and Stoneguard.

Cleaning stone and masonry is an extremely difficult operation, since some cleaning materials will strip the protective surface away leaving the building porous and vulnerable to accelerated decay. Other cleansing processes will clean the surface unevenly, making it more of a dirt trap than before. Water cleaning, for example, can be damaging if it penetrates through to the interior of the building. Water penetration also activates the iron content of sandstone, sometimes causing staining, while on the brick work it can draw out the salts present in the clay.

Cleaning

There are basically four methods of stone cleaning used by the major companies. These are:

- Air blasting, where an abrasive material—usually sand—is blown under pressure onto the the stone surface and the grime is scoured away.
- Watersprays, which soften the grime enabling it to be brushed away.
- Mechanical cleaning, using grinding and buffing discs.
- Chemical cleaning, where special chemicals are applied to the fabric and then washed off to prevent the formation of soluable salts.

One problem facing the stone-cleaning contractors is that with the recession placing costs under pressure, there are a number of "fly-by-night" firms operating with little regard for the high level of technology needed. These firms will often undercut the more established companies' quotes but may also provide a standard of cleaning significantly lower than a more established company could achieve.

In an attempt to safeguard against such operators, the British Standards Institution has published a draft code of practice for the cleaning and surface repair of masonry. This code has met with unqualified approval from the major contractors in this specialised area.

Confidence shaken by recession

THE REGIONS

LORNE BARLING

TWO SIGNIFICANT trends in refurbishing have become apparent recently in the regions and on the outskirts of London. The first is that work in the banking, insurance and finance centres of most cities has continued at a steady or even hectic pace, while regional work in general has slowed down considerably.

The second is that while there is a fairly high volume of work in some parts of the Midlands and the North, these areas have been far harder hit by the recession than the southern part of the country. As a result a number of major schemes have been shelved and are unlikely to go ahead this year.

Boom conditions

The southern part of the country is, however, relatively buoyant, with some key towns and cities experiencing almost boom conditions. Exeter, Plymouth, Southampton and Portsmouth have all seen considerable activity in the past year or so, while Bristol, Swindon and Reading—all increasingly popular areas for development in general—have benefited from the number of companies seeking premises there.

The key to this refurbishing activity is the rise in obtainable rents, which in these areas have generally increased to between £4 and £6 a sq ft for good property, stimulating the necessary financial backing for projects, many of them relatively small in size because of the absence of many large blocks of offices.

Developers have also become increasingly successful in persuading institutions to put funds into projects in smallish but growing towns to the west of London which are attracting high technology companies with good growth prospects.

An advantage on occasions, is that many of these companies require a combination of office and so-called industrial space; but the latter is very similar to offices (and often of higher standards) thanks to the technical nature of the work carried out. This calls for refurbishment of buildings to a high standard and attracts higher than average rents. In the past institutions have been wary of this type of investment because it was judged to be too specialised but there is now enough demand in some areas to outweigh the risks in many cases.

In Southampton and Portsmouth limited space for office development in prime areas has led to good demand for high quality refurbished property, although there is a shortage of suitable buildings now. Bristol has seen a long period of rapid property development and developers are looking ahead towards a strong market for new and refurbished property in 1982 and 1983.

Other cities with an active period are Norwich, Northampton and, perhaps surprisingly in view of the industrial problems in the Midlands, Coventry. In Birmingham itself there has been a burst of refurbishing activity in the commercially central Colmore Row area, with nearly a dozen buildings adjacent to each other in various stages of completion, while other parts of the city have suffered recently.

As a result of the recession a number of manufacturing companies have severely reduced their office space in Edgbaston, putting large areas on the market and consequently pushing rents to lower levels. This in turn has discouraged a considerable amount of refurbishing work.

Nevertheless, some areas are still attractive so long as developers are prepared to trim their profit expectations and not expect consequential rents to be as high as the £6.50 to £7.50 being achieved in central Birmingham, where many projects are pre-let to prestige clients.

Birmingham has the advantage, however, of having a relatively small inner city for the area of the Midlands it provides with various financial services and therefore has never really experienced any impact from the recession in the inner area. Liverpool and Manchester have seen similar trends, but lower rent on the fringes appear to have had some effect on refurbishing work in general.

One of the major constraints in the regions has been the cutback by local authorities on council house improvements. The main sufferers here have been the large construction companies which have been accustomed to a steady flow of big-volume repair work. It has been a significant growth area for companies such as Wimpey.

Divided

Regional work in general tends to be divided between relatively small local contractors in association with local professionals such as architects and chartered surveyors, and the large construction groups within refurbishing subsidiaries and divisions which usually go for the larger schemes.

It is estimated that refurbishment of one kind and other makes up around 40 per cent of the total UK construction market and will remain around that level, according to Mr. Bob Frith, a partner of E. B. Savory, Milln, the leading construction industry strockbrokers.

Although factory modernisation offers great potential in the regions, there are a number of reasons why it has not so far become a major area of activity. The most important is the changing nature of industry, which means that old-fashioned high roof structures with minimal cladding are seldom suitable in cost terms for conversion to modern manufacturing premises. Moreover, with much of the new high technology industry going to green-field sites in the south of the country, there is not a great deal of demand elsewhere.

There is considerable demand, however, for smaller factory units and the conversion of more modern industrial buildings for this purpose is increasingly viable, often with support from local authorities or development agencies.

Overall the regions have suffered quite severely from the recession though not to the extent that many projects have been halted—but the confidence which was developing in many towns and cities has now suffered a setback from which there is unlikely to be any quick recovery.

The Clothmakers building in Fenchurch Street London EC3

PROFILE: Lorne Barling reviews the £4.6m contract for the Clothworkers building in the City.

Value of careful analysis and planning

THE COMPLEX nature of a refurbishing contract in the City, one of the most difficult areas to operate in, is well illustrated by the £4.6m contract now being completed by Higgs and Hill to restructure and refurbish the Clothworkers Company's premises—a building the company put up 56 years ago.

By looking at this project in some detail it emerges that the clients faced a number of options and only through a series of important decisions was the correct balance of space achieved for ultimate uses.

In the spring of 1976 the Clothworkers were faced with a problem, Higgs and Hill points out, since various leases of the existing tenancies were falling in for renewal and the future of the building in 46-50 Fenchurch Street had to be decided. Consultants Richard Ellis were approached to do a feasibility study and identify the options.

Five main options were defined: (a) Re-let in existing condition with only essential repairs and redecoration; (b) minor refurbishment with improved finishes and services; (c) refurbishment with new lifts, air-conditioning and major replanning within the existing shell; (d) major modernisation, including new elevations, an additional floor and a new external service core taking advantage of the rights to increase the floor space by 10 per cent; (e) demolish the existing building and construct new premises.

It was finally agreed that scheme (d), a combination of refurbishing and partial reconstruction, was best, since it created the largest net floor space at 37,504 sq ft.

At the completion of the report in 1976 this scheme proved marginal in terms of financial success but office rents subsequently improved sufficiently to make the plan more attractive. Planners also assisted by allowing the insertion of an additional floor between ground and first, without this being included in the 10 per cent addition allowed in pre-1948 building. A thin composite wall also replaced one of thick masonry construction.

Confirmed

The Clothworkers Company then confirmed a Richard Ellis staff architect and the company itself as project manager. Other members of the design team were Andrews, Kent and Stone (structural engineers), Gardiner and Theobald (quantity surveyors) and Service Design Group.

"It was apparent from the project management development programme that for the project to be successful speed would be one of the dominant features, as well as the ability to create a team approach," said Richard Ellis.

With this in mind the design team recommended a management fee approach, which enables a quicker start to be made on the site with the additional advantage of a considerable overlap between the design and construction phases. In March 1979 Higgs and Hill were invited to answer a detailed questionnaire relating to the execution of the works under a management fee contract.

The company was one of four national contractors invited to amplify their initial submission, with emphasis placed on the contractors' attitude and team proposals. Higgs and Hill was appointed in April and a letter of intent issued in July.

"Early involvement of the contractor ensured that he was thoroughly familiar with the requirements of the project before commencing on site, enabling planning, co-ordinating and resourcing to commence at a far earlier stage than usual," said Richard Ellis.

"This is particularly important where sub-contractors are concerned, for they are frequently appointed far too late to play their proper part in planning. Furthermore, advance and reliable information facilitates precise and realistic pricing."

One of the first tasks was to co-ordinate the design flow. This was achieved by the use of a design co-ordination programme, which established the timescale for all pre-construction activities. Originating from this, procurement schedules were produced listing all the stages of procurement in sequence, from the issue of design information and sub-contractor selection to the approval of shop drawings and the manufacture of the necessary plant and equipment.

The need for this type of planning was soon made clear by the difficulty in procuring granite for the front elevation of the building, as stipulated by the planning authority: It was eventually necessary to order Canadian granite, which was to be cut and polished in Italy before use. By mutual consent a bulk order was placed at the earliest opportunity, and on the same basis other materials were ordered in good time.

Refinements

Building started in October 1979, by which time the building and design teams had established a close working relationship and shared the load equally from the start, enabling construction to progress at the same time as design refinements.

One problem did arise, however, through the steel strike early last year; although steel was purchased early and stored until needed the design of some floors had to be revised. "It is worth pointing out that if the project had been executed under a traditional form of contract these problems could have constituted a reason for an extension of time. A management fee contract, however, ensured a close collaboration of the building and design teams in coming to mutually acceptable solutions," said Richard Ellis.

As early as autumn 1980 the letting of the building was discussed to ensure efficient marketing and the installation of major plant and equipment was far enough advanced during the early months of this year to allow the provision of background heat; the third floor and main entrance hall were subsequently completed, enabling advertising to go ahead.

Rigorously

While achieving the demands of the programme in terms of performance and quality, cost also had to be rigorously controlled, a joint exercise between quantity surveyors Gardiner and Theobald and Higgs and Hill. Committed expenditure was monitored and anticipated costs forecast; regular reviews ensured that the client and design team were informed of actual cost at all times.

Cash flows and general financial principles were discussed in detail at monthly project control meetings. "The benefits of this approach are reflected in the fact that the contract cost and the overall project costs fell within their respective budgets," the planners said.

"The management contracting system enabled a fast programme to be achieved within the budget and to the high quality specified. It produced a sense of team collaboration and an identity of interest in meeting the requirements."

Moreover, the system answered the demand to involve the contractor from the outset, provided unified management responsibility without limiting the freedom of competitive tendering and ensured greater efficiency by deploying a management team to control activity on site.

Design professions adjust to changing market

ARCHITECTS AND SURVEYORS

COLIN AMERY

)TH OF the major design ofessions have found it necesry to come to terms with the ea of refurbishment rather an building anew. This is a sult of the recession, the ange in public attitudes wards conservation and the ed to retain as much of our ilt heritage as possible. rchitects and surveyors are w fully conscious of the need understand the economics d the mechanics involved in storing and rehabilitating isting building stock.

The building surveyor is most ten employed on refurbishent work as the overall codinator or project manager a scheme. The surveyor has e expertise to advise on ructural evaluation, building erations, the whole vexed estion of statutory obligans and the building gulations.

The regulations can be parularly tough with regard to fire and safety in the rehabilitation of older buildings. Warehouses, for example, which are often prime locations for new office or light industrial use, are subject to rigid fire codes—especially if the building is a Victorian cast-iron construction. Surveyors are often also estate agents and so they are ready to advise on the property management and financial side of refurbishment. Advice on rating, taxation and planning are all areas where the surveyor offers a service that the architect alone cannot give.

Qualified

Architects are the most qualified of the professionals in matters of design and there is strong feeling in the architectural profession that the surveying professions, more particularly the quantity surveyors, have taken too big a slice of the property conversion market. What architects offer is design skill; they are qualified to see the potential of the space requirements of a client in relation to both old and new buildings.

The third source of expertise in this field are the contracting firms. Recently there has been an impressive growth in the number of construction-based businesses that follow the American pattern of "single responsibility" firms; briefly they are design-and-build firms that may carry out the entire operation themselves or employ all the sub-contractors on their client's behalf. The appeal of this kind of firm is that the client has to deal with only one person throughout, the entire contract.

The range of recently refurbished buildings is impressive. In London the most spectacular has been the conversion of the Central Market Buildings in Covent Garden to provide shopping and leisure facilities. The new use has not resulted in any major alterations to the existing historic structure. The function of the building remains commercial, although the fruit and vegetables have been replaced by 35 "up-market" shopping units of which at least six are devoted to serving food and drink. The development, despite initial scepticism, has already proved to be a commercial success.

In Leeds an ambitious office conversion by architects Booth, Shaw and Partners for the English Property Corporation shows how an elaborate Victorian factory building can find a new use. St. Paul's House was designed in 1878 as a clothing factory and warehouse in a distinctly unlikely Oriental style with minarets and a Moorish parapet. Here the refurbishment meant the complete rebuilding of the interior to provide more than 68,000 sq ft of office space.

Historic

John Lelliott Ltd., in London, is a leading firm of contractors in the refurbishment field with two interesting jobs on site at the moment that involve careful rehabilitation of historic buildings. In Dockland it is the main contractor for the conversion of St. John's Wharf in Wapping into housing and, on the edge of Regent's Park, the Grade I listed building designed by John Nash at 1, Cornwall Terrace, is being turned into offices.

In the case of the Nash buildings around the park it was discovered soon after World War II that the quality of Nash's building work often failed to live up to the undoubtedly picturesque qualities of his facades. In many cases this has meant that only the facades of most of his buildings have been retained. The Crown Commissioners have seen fit to rebuild completely behind the restored facades so that there is often a curious divorce between interiors and exteriors.

In London's Soho, the famous music publishers Novello vacated their purpose-built turn-of-the-century listed building on Wardour Street. This was always a very remarkable building designed in 1906 by Frank L. Pearson; its model was the Hanseatic Town Hall with large transomed windows on the first floor. Inside there is a fine staircase and large panelled Music Room. The architects for the modernisation of these premises to provide offices and industrial accommodation were Sidney Kaye, Firmin and Partners, working with Wimpey Construction Ltd.

Professional teamwork often lies behind the success of the finally completed refurbishment project. It is interesting to consider the impact of the American firm NICO Construction Ltd which is America's largest interior construction company. The firm has just undertaken the refurbishment of Dashwood House in Old Broad Street in the City of London as new offices for the Bankers Trust Company, after only three years of operations in the UK. NICO is working with Kelly Associates as the interior designers.

Speed is the American firm's main claim: the first 24,000 sq ft of Dashwood House has been refitted in 10 weeks. The claim is based on a very direct system of management control that starts at working drawing stage and follows the project through to completion. It is such "one-step" firms, which can keep their completion dates and offer a highly efficient service, which are offering the older professional firms some serious competition.

While architects may win the refurbishment game on design grounds—this year's Royal Gold Medallist for Architecture, Sir Philip Dowson of Arup Associates, is best known for his conversion of the Maltings at Snape into a superb concert hall—they cannot always compete when it comes to speed. Market forces show that refurbishment is a buoyant area of design and construction where there is plenty of scope for professional skills to move more energetically into the refurbishment field.

Commons and Lords business this week

TODAY

Commons—Private Members' motions until 7 pm. Remaining stages of the Iron and Steel Bill. Motion on EEC documents on fisheries. Motion on the General Practice Finance Corporation (Increase of Borrowing Powers) Order.

Lords—British Telecommunications Bill (committee stage).

Select Committees—Home Affairs. Sub-committee on race relations and immigration. Subject: the operation and effectiveness of the Commission for Racial Equality. Room 15. 11 am). Education, Science and Arts. Subject: secondary school curriculum and examinations. Witnesses: Dept. of Education and Science officials. (Room 6, 4 pm).

TOMORROW

Commons—Debate on defence estimates. Remaining stages of the Armed Forces Bill. Motion on the Employment (Miscellaneous Provisions) (Northern Ireland) Order.

Lords—Consideration of Commons amendments to the Judicial Pensions Bill. Motions to approve European Communities (Definition of Treaties) (Accession of the Republic of Zimbabwe to the second ACP-EEC Convention of Lomé) Order 1981. The Sheriff Courts (Scotland) Act 1981. The Sheriff Courts (Scotland) Act 1971 (Summary Cause) Order 1981. Licensing (Amendment) Bill, committee stage. British Telecommunications Bill (committee stage).

Select Committees. Employment Subject: homeworking Witness: Mr. Richard Botwood, chairman W. S. Sanderson (Morpeth). (Room 15, 4 pm).

WEDNESDAY

Commons—Conclusion of defence debate. Remaining stages of the Atomic Energy (Miscellaneous Provisions) Bill.

Lords—Debate on need for amending legislation to permit more flexible trading hours for shops. Debate on the need for consideration of future guidelines for East/West trade.

Select Committees — Education, Science and Arts. Subject: secondary school curriculum and examinations. Witnesses: MSC, Dept. of Employment, Dept. of Industry. (Room 6, 10.30 am). Scottish Affairs. Subject: youth unemployment. Witnesses: Mr. F. Kirwan and Mr. N. Fraser, Fraser of Alander Institute, University of Strathclyde (Room 5, 10.30 am). Public Accounts. Subject: local autonomy of National Health Service authorities. Witnesses: Sir Patrick Nairne, DHSS; Sir William Tweddle, chairman of the Yorkshire Regional Health Authority; Mr. B. H. Bailey, chairman of the South West Regional Health Authority. (Room 16, 4 pm). Transport. Subject: transportation in London. Witnesses: National Bus Company and London Country Bus Services (Room 17, 4.15 pm). Employment. Subject: homeworking; the Dept. of Employment group; the MSC's corporate plan 1981-1985. Witness: Mr. James Prior, Employment Secretary. (Room 15, 4.30 pm). Treasury and Civil Service. Subject: the form of the estimates. Witnesses: Treasury officials. (Room 8, 4.45 pm).

THURSDAY

Commons—Debate on the BBC licence and agreement and on the Royal Charter. Motion on EEC documents on shipping standards and prevention of pollution.

Lords—(at 11 am). Criminal Attempts Bill (committee stage).

Select Committee—Agriculture. Subject: animal welfare in poultry, pig and veal calf production. Witnesses: Farm Animal Welfare Council. (Room 16, 11 am).

FRIDAY

Commons—Debates on various topics before House rises for spring and adjournment to June 1.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. Thesub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Anchor Chemicals, Piccadilly Hotel, Manchester, 11.30
Comben Group, Dragonara Hotel, Redcliffe Way, Bristol, 12.30
Fisher (James), Victoria Park Hotel, Barrow-in-Furness, 12.00
Home Charm, Great Eastern Hotel, Liverpool Street EC, 2.30
Phicom, Centre Point, 103 New Oxford Street, WC, 12.00
Wilkes (James) Mount Hotel, Mount Road, Tottenhall Wood, Wolverhampton, 2.30

BOARD MEETINGS—
Finals:
Land Securities Invest. Trust
Outwich Invest. Trust
Interim:
Riley (E. J.)

DIVIDEND & INTEREST PAYMENTS—
Banco Pinto and Sotto Mayor Fltg. Rate Notes 1985 7⅛pc
Beazer (C. H.) 2.4p
Conder Intnl. 4p
Co-operative Bank Fltg. Rate Notes 1986 US$77.10
Courtney Pope 1.2p
Dufay Bitumastic 2p
Home Counties Newspapers 4.75p
Howden (Alexander) 3.5p
Jersey Electricity A 9p
London European Grp. 0.8p
Merchants Tst 2.4p
Midland Bank Fltg. Rate Cap. Notes 1982 7⅝pc
Sharna Ware 2.0591p
Warner Communications Inc. 17cts.

TOMORROW

COMPANY MEETINGS—
APV Hldgs., Institute of Directors, 116, Pall Mall SW, 12.00
Bank of Scotland, The Mound Edinburgh, 12.15
Booker McConnell, Chamber of Commerce and Industry, 69 Cannon Street, EC, 12.00
Cape Inds, Hyde Park Hotel, Knightsbridge SW, 12.00
Christies Intl., 3, King Street, St. James's, [illegible] 3.00
Fisons, Centre Point, 103, New Oxford Street WC, 11.00
Macfarlane Grp. (Clansman), The Merchants House, 7, West George Street, Glasgow, 12.00
Nichols (J. N.) (Vimto) Ledson Road Wythenshawe Manchester, 11.00
Stag Furniture, Albany Hotel Nottingham, 12.00

BOARD MEETINGS—
Finals:
Aaron-Dooars
[illegible] Invest. Trust
[illegible] (C. E.)
[illegible] (Amos)
[illegible] Assoc. Inds.
[illegible] Intl.
[illegible]man (Walter)
Tace
[illegible] Dooars Tea
[illegible]
Interims:
[illegible] Bros.
[illegible] Agency and Music
[illegible] American Trust
[illegible] (G3)
[illegible]
[illegible] and Lancashire Invest. Trust

DIVIDEND & INTEREST PAYMENTS—
Comben Grp 1.35p
Fisher (James) 1.15p
Futura 1.54p
Great Northern Telegraph Co. (of Denmark) Kr.21.6
Jacobs (John I.) 1.6p
Do. 0.5p
Jarmyn Inv. 1.625p
Metal Closures 3.2p
Nichols (J. N.) (Vimto) 4p
Parsons Sims Jefferies 8p
Sirdar 2.7p
Treasury Stk 10½pc 1999 5¼pc
Waring Gillow 1.5p

WEDNESDAY MAY 20

COMPANY MEETINGS—
Associated Biscuit Mfrs., Great Western Royal Hotel, Paddington, W, 12.30
Bridon, Chartered Accountants' Hall, Moorgate Place EC, 12.00
Britannia Arrow, Connaught Rooms, Great Queen Street, WC, 11.30
Carlton Inds., Dragonara Hotel, Redcliffe Way, Bristol, 12.30
Clarke Nickolls & Coombs, Winchester House 100, Old Broad Street, EC, 12.00
Horizon Travel, Chamber of Commerce, 75, Harborne Road, Birmingham, 2.30
Lane (Percy), The Excelsior Hotel, Birmingham Airport 12.00
London Brick, Connaught Rooms Great Queen Street, WC, 12.00
Metalrax, Plough and Harrow Hotel, Hagley Road, Edgbaston, Birmingham, 11.45
Rotork, Rotork House, Brassmill Lane, Bath, 3.00
Slough Estates, Savoy Hotel, Strand, WC, 2.30
Stanley (A. G.) Stanley House, Cray Avenue Orpington, Kent, 4.00
Sun Alliance Insurance Grp., 1, Bartholomew Lane, EC, 12.30
Unilever, The Baltic Exchange, 14-20 St. Mary Axe, EC, 11.00
United States Debenture Corp., Austral House, Basinghall Avenue, EC, 3.00

BOARD MEETINGS—
Finals:
Advance Services
Alpine Hldgs.
Fine Art Developments
Geers Gross
Hartwells
London and Northern
London Trust
Marks and Spencer
Nathan (B. and I.)
Selincourt
Sphere Invest. Trust
Whitbread Invest.
Interims:
Ransome Hoffmann Pollard
Redfearn National Glass
Redman Heenan Intl.

DIVIDEND & INTEREST PAYMENTS—
APV Hldgs. 6.2p
Caterpillar Tractor 60cts
Duncan (Walter) Goodricke 12p
Exchequer Stk. 12pc 1998 6pc
Do. 12pc 1998 (A) £7.4782
Lloydstrust Gilt Fund Ptg. Red. Pf. 31p (3rd)
Macfarlane Grp. (Clansman) 2p
Molins 5.698p
Pressac 0.35p
Sandvik Aktiebolag Sers. B SKr.9
Sea Containers Inc. 10.5cts
Security Pacific Corp. 55cts

THURSDAY MAY 21

COMPANY MEETINGS—
Bemrose Corp., Abercorn Rooms, Bishopsgate, EC, 11.45
Bifurcated Engineering, Mandeville Road, Aylesbury, Bucks 12.00
Cadbury Schweppes, Grosvenor House, Park Lane, W, 12.00
Callender (George M.), Winchester House, 100 Old Broad Street, EC 11.30
Carpets Intnl., Carpet Manuf. Co., Mill Street, Kidderminster 12.30
Charterhouse Petroleum Connaught Rooms, Great Queen Street, WC 11.30
Clayton, Son, Queen's Hotel Leeds 2.00
Delta Group Waldorf Hotel, Aldwych, WC 12.00
Glynwed, Headland House, Sheldon, Birmingham, 3.00
Greenbank Inds., Saxon Inn Motor Hotel, Yew Tree Drive Blackburn, 3.30
Henriques (Arthur) Midland Hotel, Manchester, 12.00
Jamesons Chocolates, Willoughby Lane, Tottenham, N, 2.30
Jerome (S.) Post House, Bramhope, 12.30
Johnson Group Cleaners Adelphi Hotel, Liverpool 2.00
Magnolia Group (Mouldings), Sutton Road, Rochford, Essex 12.00
Marshall (Thomas) Tapton Masonic Hall, [illegible] Fulwood, Sheffield 12.00
Morrison (Wm.) Supermarkets, Hilmore House, Thornton Road Bradford, 11.00
Ofrex Group, Ofrex House, Stephen Street, W 11.00
Portals Howard Hotel, Temple Place, Strand, WC 12.30
Provident Life Association of London, Abercorn Rooms Liverpool Street, EC, 12.00
Reckitt Colman, Connaught Rooms, 15, Great Queen Street WC, 11.00
Shell Transport Trading, Shell Centre, SE, 11.30
Standard Telephones Cables, Chartered Insurance Institute, 20, Aldermanbury, EC 12.00
Supra Group, Marble House, Theatre Street Warwick, 12.00

BOARD MEETINGS—
Finals:
Boots
Bremar Trust
Foster Brothers Clothing
Industrial and General Trust
Portsmouth and Sunderland Newspapers
Scott and Robertson
Weeks Associates
Interims:
Associated Engineering
Cambrian and General Securities
Concentric
Construction Hldgs.
Lloyds and Scottish
Morland
Pentland Invest. Trust
Ranks Hovis McDougall
Spencer Clark Metal Inds.

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mortgage Corp., 5pc Db. 2½pc
BET 5.5p
Bibby (J.) 4.825p
Bridon 1.2p
Carlton Inds. 8p
Clayton, Son 4.6025p
Corp. of London 7½pc 1979-81 3¾pc
Dowding Mills 0.7p
Horizon Travel 2.842p
Intercom Npc. (Br.) BFr.150
London Strathclyde Tst. 0.8p
Lyon Lyon 4.5p
Midland Int. Fin. Svcs. BV Gtd. Fltg. Rate Notes 1987 US$80.44
Tesoro Petroleum Corp. 7.5cts
Treasury Stk. 3pc 1985 1½pc
Do. 3pc 1985 (A) £1.6768
Do. 12½pc 2003-05 6¼pc

FRIDAY MAY 22

COMPANY MEETINGS—
Babcock Intnl., The Institute of Directors, 116, Pall Mall, SW, 12.30
Benford Concrete Machinery, The Cape, Warwick 12.00
Bowater Corp., Inn on the Park Hotel, Hamilton Place, Park Lane, W, 11.30
Bramall (G. D.), Norfolk Gardens Hotel, Hall Ings, Bradford, 12.00
Breedon Cloud Hill Lime Works, Breedon-on-the-Hill, Leics, 11.00
Clifford's Dairies, Maidenhead Eurocrest Hotel, Shoppenhangers Road, Maidenhead, Berks, 11.30
Desoutter Bros., Hendon Hall Hotel, Parson Street, NW, 12.00
Dunk.? Heel, Crest Hotel, Filton Road, Hanbrook, Bristol, 12.00
Firmin Sons, Globe Works, New Town Row, Birmingham, 12.15
Forward Technology Inds., London Press Centre, 76, Shoe Lane, EC, 12.00
Grampian Hldgs., Stag House, Castlebank Street, Glasgow, 12.00
Hiltons Footwear, The Holiday Inn, St. Nicholas Circle, Leicester, 11.30
Lec Refrigeration, Shripney Works, Bognor Regis 11.30
Nash (William), Cray Valley Paper Mills, St. Paul's Cray, Orpington, Kent, 2.30
Reed Executive, 15, Sheet Street, Windsor, Berks, 2.00
Relyon P. B. W. S., Beam Bridge Hotel, Sampford Arundel, Wellington, Somerset, 12.00
Tovice Group, 10, Stratton Street, W, 12.30
[illegible] Green Lane Works Leicester, 3.00
Wilson (Connolly), Saxon Inn, Northampton 12.00

BOARD MEETINGS—
Finals:
Chamberlin and Hill
Dom Holdings
Walker (C. and W.)
Interims:
Brockhouse
Dubilier
Gomme
Reliant Motor

DIVIDEND & INTEREST PAYMENTS—
Armstrong Equipment 0.55p
Baker Intnl. Corp 15cts
Benford Concrete Machinery 1.75p
Bifurcated Engineering 0.35p
Breedon Cloud Hill Lime Works 5p
Burgess Products Ord A Ord. 0.5p
Chambers Fargus 0.5p
Clifford's Dairies Ord. Ord. A 2.75p
Combined Intnl. Corp. 40cts
Eaton Corp. 43cts
Exchequer 13¼pc 1983 6⅝p
Do 14pc 1984 7pc
Do. 12¼pc 1985 6⅛pc
Firmin Sons 2.5p
Gaskell (Luis) 0.5p
Greenbank Inds. 0.9p
Hunt Moscrop (Middleton) 0.36p
Hibstock Johnsen 3p
Jamesons Chocolates 3p
Kalamazoo 0.83p
Lake Elliot 1p
Lec Refrigeration 4.065p
Magnolia Group (Mouldings) 1.5p
Murray Clydesdale Inv. Tst. 0.5p
Newman-Tonks Group 1.65p
Park Place Invs. 1.25p
Rotork [illegible]
Royal Bank of Canada 40cts
Do. New pro-rata to amount paid up
Royal Insurance 14.75p
Stanley (A. G.) 1.5p
Treasury Stk. 14pc 1998-2001 7pc
Utico Hldgs. Ord. Dfd. Ord. 14.5cts
Yorkgreen Invs. 0.21875p

DIVIDEND & INTEREST PAYMENTS—
Bemrose Corp. 1.5p
Desoutter Bros. 3p
Exchequer 12¼pc 1981 6⅛pc
Grampian Hldgs. 3p
Ofrex Group 2.5p
Treasury Ln. 13¼pc 1993 6⅝pc

DIVIDEND & INTEREST PAYMENTS—
Treasury Variable Rate 1983 £6.64

Village shop costs 30p more on £13 bill

COUNTRY dwellers who ignore the village shop and go to a city supermarket are saving far less than they think, says a report from one rural area. In fact, the transport costs could almost wipe out the shopping savings.

Shoppers making a special trip from village to town save on average only 30p on a £13 bill when bus fares are taken into account, says the report published by the Yorkshire Rural Community Council and the Yorkshire Federation of Women's Institutes. If the trip is made by car the saving is even less.

The report is part of a campaign to save the village shop. In North Yorkshire 142 village shops have disappeared in the past 10 years.

Beacons across country for royal wedding

A COUNTRY-WIDE chain of beacons similar to those marking the 1977 Silver Jubilee is to be lit as part of the celebrations for the wedding of Prince Charles and Lady Diana Spencer.

Prince Charles will light the first in Hyde Park in July 28. Chains will end at Sandringham, Dover, the Channel Islands, Isles of Scilly, south and north Wales, south west Scotland and Northern Ireland.

A chain will pass through England to Edinburgh, Balmoral, the Orkneys and Shetlands, and another to Glasgow and Rothesay, Ben Nevis and the Outer Hebrides and St. Kilda.

INSURANCE

UK market potential attracts composites

BY ERIC SHORT

UK COMPOSITE groups have in recent years been rediscovering the potential of the insurance market on their own doorsteps compared with the headaches of expanding business in major overseas territories.

The first-quarter results published recently by the three major U.S.-oriented composites show that the UK account is the one making most money, at least for the present, while the U.S., Canadian and Australian markets go deeper into the red.

This is a different outlook from a decade ago when composites tended to go for expansion in countries offering a growing market. The UK market was considered stagnant—and with the removal of tariffs it was felt that expansion could only be bought at too great a price.

Freedom

Conditions have changed since then. The growth overseas has been bought too often at too high a price. The UK market has sorted itself out in many respects, especially on personal lines. Insurers have complete freedom to put up motor rates. Index linking of sums insured and premiums on household policies is universal. The public tend to keep sums insured at an adequate level. Premium growth is steady from existing business.

Add to that the favourable conditions this year with a mild winter and falling fire losses and you can see why some companies are keen to expand their share of the market.

But business overall in the UK is not expanding, because of the recession. A company can only increase its share of the market at the expense of others. This seems to be the pattern from the first quarter results.

General Accident, the largest motor insurer in the UK, reported only a 1 per cent growth in UK premium income for the period. Given the current rate of inflation, this means that it is losing business, and GA admits this.

Royal has an avowed policy of expansion in areas that offer good prospects and the UK is one of these territories. Royal increased its UK premium income by 20 per cent. Commercial Union showed a 16 per cent growth, holding on to its share of the market.

The main weapon in securing business from other companies is in cutting premium rates. On the personal lines, the companies are not actually reducing their rates, simply delaying making the necessary increases to allow for inflation. There are signs that competition in the motor market is becoming keen.

GA in the past couple of years has increased its motor rates twice a year, in February and August. The last rise, in August, was considered high by the market, and the combined increase of 9 per cent in February and August was above the market average. This has lost it business—and it has fought back by not making any increase this February. Other companies have been holding rates beyond the 12-month review to capture a higher share.

The next method of securing business is to go after certain sections of the market. Royal has about 8-10 per cent of the UK market overall but only 4 per cent of the motor market. It aims to increase the motor share to near its average and has concentrated on the older driver.

This class of business is proving profitable, for older drivers have much better claims records. Royal's 50-plus policy offers competitive rates and is selling well. Other companies are having to pay much more attention to the composition of their portfolio and offer similar plans.

If a company loses its share of the market, it comes under pressure from rising expense ratios. On the one hand a company has to quote adequate rates, while on the other it needs to expand its business to cover expenses—a "nutcracker" situation.

So companies are fighting to keep business, not only by watching the rates, but by improving the service and coverage to policyholders. The main beneficiary of this competition is the consumer, who is being wooed for his business.

Campaign

CU is keeping a low profile on its expansion plans, but has been steadily picking up business across the board from its advertising campaign and its claims of operating a 24-hour service.

The attractions of expanding the UK base are obvious. CU is expected to show lower profits this year, in spite of the anticipated success of its UK business. Other companies with a large UK base could show substantially higher profits this year, with better dividend prospects. But companies should not regard the UK market as rosy and go for growth at all costs. The balance has to be kept between service, growth and profitability.

A clear picture will emerge at the half-year stage, when all composite groups report their results and the ferocity of the competition can be measured.

مكتبة الأصل

WORLD STOCK MARKETS

NEW YORK

1981 High	1981 Low	Stock	May 15
51⅝	45⅛	AOF Industries	46
26⅛	19¾	AMF	23⅝
16⅝	11	AM Intl	13¾
37¼	31⅛	ARA	34
66⅛	44	ASA	53¼
35	27	AVX Corp	31⅜
60¾	54⅛	Abbott Labs	56⅝
30¼	23⅞	Acme Cleve	26⅞
43¾	31⅝	Adobe Oil & Gas	33¼
38	30½	Aetna Life & Cas	37⅝
20¾	17	Ahmanson (H. F.)	17⅝
48⅛	39⅛	Air Prod & Chem	46⅛
15¼	12⅝	Akzona	14⅛
38	28¼	Albany Int.	35
15⅝	12¾	Alberto-Culv	14⅛
24⅞	20	Albertson's	24⅛
39⅛	31⅝	Alcan Aluminium	31⅞
42¼	33½	Alco Standard	39
64¾	37	Allegheny Ludm.	50⅜
56½	47⅛	Allied Corp.	58⅛
27⅛	20⅛	Allied Stores	25½
36⅛	26⅛	Allis-Chalmers	26⅜
16⅛	11⅛	Alpha Portd.	13¾
37¼	30¼	Alcoa	33⅜
51⅝	34	Amal. Sugar	34¼
67	38	Amax	55⅛
43¾	30¾	Amerada Hess	31¾
19¾	8⅞	Am. Airlines	19¾
82¼	69⅝	Am. Brands	77¾
35⅜	25⅝	Am. Broadcast'g	30¼
44⅛	28¾	Am. Can.	41½
35	28⅝	Am. Cyanamid	33⅞
17⅞	15⅜	Am. Elect. Pwr.	16
48⅛	40	Am. Express	43½
44⅞	35⅞	Am. Gen. Insnce.	42¼
25⅛	16⅝	Am. Hoist & Dk.	21¾

1981 High	1981 Low	Stock	May 15
41¼	34	Columbia Gas	35
45	37¼	Columbia Pict.	38⅛
23¼	17	Combined Int.	22
49¼	38⅝	Combustn. Eng.	44
19⅛	17⅞	Cmwlth. Edison	19
55¾	42	Comm. Satellite	55¾
25⅛	16⅛	Comp. Science	23⅛
39⅞	31¾	Cone Mills	34½
54⅝	41⅞	Conn Gen Inn.	52
65⅝	53⅛	Conoco	54½
22¾	17⅝	Conrac	21¼
28⅛	22⅝	Cons Edison	28¼
32½	24	Cons Foods	32½
43⅛	24⅝	Cons Freight	40½
55¾	45⅛	Cons Nat Gas	47¾
18⅛	16¼	Consumer Power	18⅛
15⅝	9⅝	Cont Air Lines	11¼
28	23⅛	Conti Corp.	26⅝
40⅛	32⅛	Conti Group	34¾
36	30⅞	Conti Illinois	35⅝
17⅞	16	Conti Telep.	17
79⅛	60⅝	Control Data	76¾
53¼	43¾	Cooper Inds	48¼
16⅛	13½	Coors Adolph	13¾
37¾	24⅞	Copeland	37⅝
34¼	23¾	Copperweld	30½
69¾	59⅛	Corning Glass	65⅞
26	20⅝	Corroon Black	23½
71	55¼	Cox Broadcast'g	67¾
45⅝	38½	Crane	40½
39⅝	36⅛	Crocker Nat	36⅞
36⅝	28¼	Crown Cork	33⅝
52⅞	41½	Crown Zell	41⅞
50⅞	30½	Cummins Eng	50⅞
46⅛	33⅝	Curtiss-Wright	39¾

1981 High	1981 Low	Stock	May 15
25⅝	21⅛	Citicorp	25⅛
50½	41	Cities Service	47¼
30⅞	21	City Investg.	28¼
38½	32⅛	Clark Equipment	33½
45⅛	32	Cleve Cliffs Iron.	39⅛
15⅞	9⅝	Clorox	12⅜
16½	9¾	Cluett Peaby	13⅝
39⅛	32¾	Coca Cola	35
9¾	8⅝	Coca Btl. N.Y.	8¾
18¼	14⅛	Colgate Palm.	16¼
11⅛	8½	Collins Aikman	10⅛
58	44	Colt Inds.	56¼

1981 High	1981 Low	Stock	May 15
31¾	25	Georgia Pac.	27¾
62½	50	Geosource	59¼
29⅜	26½	Gerber Prod.	28⅝
93¼	65¼	Getty Oil	67½
41⅛	32⅞	Giddings Lewis	41⅛
33¼	27⅝	Gillette	31⅜
71½	45⅝	Global Marine	49
27⅜	22⅛	Goodrich (BF)	26
20⅛	17⅛	Goodyear Tire	17¼
29⅜	25¼	Gould	26⅛
59¼	47⅜	Grace	50¼
44	33⅞	Grainger (WW)	42⅛

1981 High	1981 Low	Stock	May 15
48	39⅜	McGraw-Hill	46⅛
11¼	7⅞	McLean Trukg.	9⅜
32⅝	25⅛	Mead	30
36	29⅜	Media Genl.	35¾
43	32⅛	Medtronic	38¼
37¾	30⅞	Mellon Natl.	35¾
47½	35⅞	Melville	45
14½	10½	Memorex	12½
44⅜	34	Mercantile Sts.	43⅛
96	80	Merck	93
64½	47⅞	Meredith	59⅛
41⅜	26¼	Merrill Lynch	37½

Indices

NEW YORK —DOW JONES

	May 15	May 14	May 13	May 12	May 11	May 8	1981 High	1981 Low	Since Cmpil't'n High	Since Cmpil't'n Low
♦Industr'ls	985.95	973.07	967.75	978.82	963.44	976.40	1024.05 (27/4)	951.57 (16/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	58.32	56.62	58.75	58.45	58.51	58.41	65.78 (15/1)	58.57 (7/5)	—	—
Transport.	425.80	422.10	418.28	411.43	410.28	418.40	447.38 (16/4)	373.12 (28/2)	447.38 (16/4/81)	12.23 (8/7/32)
Utilities	106.91	108.70	107.56	106.87	105.65	105.66	117.81 (6/1)	105.99 (5/5)	165.32 (20/4/69)	10.5 (28/4/42)
TradingVol 000's	45,460	42,750	42,600	48,440	37,840	41,880	—	—	—	—

♦Day's high 990.09 low 971.72

	May 8	May 1	Apr. 17	Yearago (approx
Ind. div. yield %	5.71	5.57	5.61	6.50

STANDARD AND POORS

	May 15	May 14	May 13	May 12	May 11	May 8	1981 High	1981 Low	Since Cmpil't'n High	Since Cmpil't'n Low
Indust'ls	148.49	145.46	147.68	149.18	146.84	148.58	157.02 (6/1)	142.76 (2/2)	160.96 (28/11/80)	3.52 (30/6/32)
Composite	132.17	131.26	133.55	133.72	129.71	131.66	138.12 (6/1)	128.58 (20/2)	140.52 (28/11/80)	4.40 (1/6/32)

	May 13	May 6	Apr. 30	Year ago (approx
Ind. div. yield %	4.70	4.69	4.61	5.58
Ind. P/E Ratio	9.91	10.83	9.37	7.38
Long Gov. Bond Yield	13.72	13.81	13.36	10.19

N.Y.S.E. ALL COMMON

May 15	May 14	May 13	May 12	1981 High	1981 Low
76.64	76.02	75.56	75.60	79.14 (6/1)	72.45 (20/2)

Rises and Falls	May 15	May 14	May 13
Issues Traded	1,903	1,885	1,904
Rises	991	951	852
Falls	536	564	651
Unchanged	376	370	401
New Highs	—	43	33
New Lows	—	24	27

MONTREAL

	May 15	May 14	May 13	May 12	1981 High	1981 Low
Industrials	404.11	403.61	396.87	388.95	404.11 (15/5)	358.26 (20/2)
Combined	370.09	363.66	365.31	360.54	373.88 (2/4)	329.34 (20/2)

	May 15	May 14	May 13
AUSTRALIA All Ord. (1/1/80)	687.4	686.8	685.4
Metal & Minrls. (1/1/80)	589.3	594.5	596.1
AUSTRIA Credit Aktien (2/1/62)	62.27	62.45	62.16
BELGIUM Belgian SE (31/12/63)	78.17	78.68	78.77
DENMARK Copenhagen SE (1/1/73)	(c)	111.24	110.22
FRANCE CAC General (29/12/61)	91.8	95.9	(u)
Ind Tendance (31/12/80)	86.5	98.2	(u)
GERMANY FAZ-Aktien (31/12/58)	232.9	232.49	232.89
Commerzbank (Dec. 1953)	714.7	714.1	717.1
HOLLAND ANP-CBS General (1970)	92.5	92.0	92.0
ANP-CBS Indust. (1970)	70.5	70.2	70.2
HONG KONG Hang Seng Bank (31/7/64)	1648.21	1532.86	1489.62
ITALY Banca Comm. Ital (1972)	267.78	268.97	268.77
JAPAN Dow Average (16/5/49)	7496.88	7487.45	7398.64
Tokyo New SE (4/1/68)	554.86	553.55	551.52
NORWAY Oslo SE (1/1/72)	121.4	121.80	121.58
SINGAPORE Straits Times (1966)	810.2	801.73	800.53
SOUTH AFRICA Gold (1958)	643.5	640.7	648.7
Industrial (1958)	632.8	631.7	631.5
SPAIN Madrid SE (30/12/80)	(c)	118.37	117.84
SWEDEN Jacobson & P. (1/1/58)	514.3	510.55	512.11
SWITZERLAND Swiss BankCpn. (31/12/58)	285.8	293.1	293.8

SOUTH AFRICA

1981 High	1981 Low	May 15	Price Rand
2.45	1.65	Sorec	1.9
19	16.00	Tiger Oats	18
3.05	2.55	Unisec	2.75

Financial Rand US$0.88¼
(Discount of 25%)

BRAZIL

1981 High	1981 Low	May 15	Price Cruz
1.05	0.76	Acesita	0.90
4.40	3.05	Banco Brasil	4.40
1.57	1.40	Banco Itau	1.55
3.55	2.37	Belgo. Min.	2.95
3.50	2.80	Lojas Amer	3.35
2.96	2.12	Petrobras PP	2.81
1.70	1.05	Pirelli OP	1.10
3.35	2.05	Souza Cruz	3.35
7.50	5.35	Unip PE	6.0
7.50	4.50	Vale Rio Doce	7.12

TEL AVIV

Company	Prices May 17 1981	Change on the week
Banking, Insurance and Finance		
Bank Leumi	1,033	+ 10.0
IDB Bankholding	1,456	+ 23.0
Bank Hapoalim Br.	1,396	+ 21.0
Union Bank Israel Br.	931	−104.0
Utd. Mizrahi Bank	420	− 25.0
Hassneh Insurance Br.	548	− 57.0
Gen. Mort. Bank Br.	660	− 39.0
"Tefahot" Israel Mort. Bank Br.	828	− 42.0
Land Development		
Africa Israel Inv. IE10	2,214	—
Israel Land Dev. Br.	1,215	− 85.0
Property and Building	750	− 90.0
Public Utility		
Israel Electric Corp.	780	+ 30.0
Investment Companies		
Bank Leumi Invest.	1,010	− 40.0
"Clal" Israel Invest.	680	− 22.0
Discount Invest.	590	− 24.0
Commercial and Industrial		
Alliance Tire & Rubber	3,420	—
Elco Br.	475	− 40.0
Argaman Textile Br.	340	+ 20.0
"Ata" Textile "B"	394	− 13.0
Amer. Israeli Ppr. Mills	1,341	− 54.0
Assis	576	− 24.0
Elite	2,160	+ 26.0
Teva Reg.	2,055	+ 39.0
Fuel and Oil		
Delek	605	− 9.0

Source: Bank Leumi le Israel BM, Tel Aviv.

NOTES:—Prices on this page are as quoted on the individual exchanges and are last traded prices. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Criticism by shareholders as WestLB profits plunge

BY STEWART FLEMING IN FRANKFURT

TWO LEADING shareholders Westdeutsche Landesbank ((West LB) have claimed that they have been misled by it. On Thursday, amid mounting speculation about its profitability, the third largest West German bank disclosed that its profits had plunged in 1980 to DM 61m ($27m) from DM 188m a year earlier. It is thought unlikely that the bank will pay a dividend.

In the wake of the announcement there have been growing signs of dissatisfaction among the bank's shareholders over the background to the profits slump. Last December the bank denied speculation that it had suffered a "catastrophic" fall in profits and forecast a maintained dividend. It also indicated that it was seeking to raise DM 200m of new capital from shareholders.

Like other landesbanks, WestLB is a publicly-owned institution controlled by the state Government of North Rhine Westphalia, the two local authority associations of Westphalia-Lippe, and the savings bank associations in these two regions.

It was the local authority associations which claimed to have been misled.

Dresdner Bank, West Germany's second largest commercial bank, reported that a 15 per cent rise in operating earnings in the first quarter of 1981, had been checked in April by a rise in refinancing costs.

Addressing a shareholders' meeting, Herr Hans Friedrichs, chairman of the managing board, said that earnings had been under pressure since March because of the increase in refinancing costs. The bank's interest spread during the first quarter rose to 2.1 per cent from a 2 per cent average in 1980, he said, commenting that this slight rise was not enough.

Declining to give a 1981 earnings or dividend prediction, Mr. Friedrichs told shareholders that results for the current year depended largely on the Bundesbank's interest rate policies.

In 1980 the parent bank cut its 1980 dividend to DM6 per share from DM9 in 1979, after group profits fell by 26 per cent to DM 283.8m (U.S.$122.8m).

Xerox drops plan for data networks

By Ian Hargreaves in New York

XEROX IS to drop plans to develop its own telecommunications network, Xten, because the economies are not attractive. Xerox stressed, however, that the concept was still technically feasible.

Xten, which was supposed to go into operation later this year, would have used a number of broad band digital networks to transmit non-voice information within major cities in the U.S. City networks would then have been connected up via satellites operated by other companies. The data transmission system would have been developed and serviced by Xerox.

Apart from the prohibitive economics, Xerox may also have had to consider the present deregulation of the U.S. telecommunications business which is opening up the field to a large number of powerful competitors.

Demand strong says LTV

By Our Financial Staff

LTV, THIRD largest steelmaker in the U.S., has a sufficient supply of coal to meet its near-term coke and iron producing needs despite the current United Mine Workers' strike, Mr. Raymond A. Hay, the president, told the annual meeting in Dallas.

He also said that current demand for most of the company's steel products was strong.

Plants at the energy products group were operating at full capacity and current orders for drilling and production equipment would keep output at near capacity levels well into 1982.

The energy group plans to spend $40m on increasing production capacity this year, compared with $10m last year.

Analysts on Wall Street have forecast that earnings this year will surpass the $3.95 a share of 1980.

Shell chief optimistic

BY OUR FINANCIAL STAFF

EARNINGS AT Shell Oil are expected to increase in fiscal 1981 from the $4.99 a share earned in 1980, Mr. John F. Bookout, president, disclosed. Shell, which is 69 per cent owned by the Royal Dutch-Shell interests, is the leading U.S. marketer of refined oil products.

Mr. Bookout said the forecast was based on higher prices for crude oil and natural gas and the expectation of improved margins in downstream oil and chemical operations in the second half of the year.

However, he said, the company's refining and marketing segments were unlikely to match last year's record $320m earnings.

Mr. Bookout expects Shell's performance edge over its major competitors to continue. Historically, Shell has had a 2 per cent to 3 per cent higher return on investment than its major competitors.

Turning to Shell's chemical business, Mr. Bookout said chemical products earnings were expected to be about the same as the $128m of 1980.

Mr. Bookout predicted that this year's production of crude oil, natural gas and natural gas liquids should continue at around the levels of 1980.

Shell, one of the Seven Sisters of the U.S. oil industry, earned more than 70 per cent of its profit last year from oil and gas exploration and production. Oil products brought in 19 per cent and the chemical businesses only 8 per cent.

A major boost for the Eighties for Shell is likely to come from Kernridge Oil, which is the former Belridge Oil acquired in 1979. Kernridge produced 82,000 barrels of oil last year, and is expected to produce more than 100,000 barrels a year by the end of the decade.

Dutch trader still in the red

By Charles Batchelor in Amsterdam

INTERNATIO-MULLER (IM) the Dutch trading, transport and industrial group, continued to sustain a net loss in the first quarter of 1981, the board told the shareholders' meeting. Interest charges completely absorbed the operating profit.

The company expects interest charges to rise by Fl 4m to Fl 55m ($21.5m) this year. Investments will fall to Fl 50m from Fl 61m.

It earlier reported an operating loss of Fl 7.7m in 1980. After provisions to meet the cost of reorganisation measures, the group suffered a net loss of Fl 58m.

PENDING DIVIDENDS

	Date	Announcement last year		Date	Announcement last year
*Allied Breweries	June 5	Final 3.0	Johnson and Firth Brown	May 14	Int. 1.3
Allied Irish Banks	May 21	Final 3.5	*Land Secs.	May 18	Final 5.3
Assoc. Brit. Foods	June 9	Final 2.3	*London and Northern	May 20	Final 2.1
Aust. and NZ Bank	May 19	Int. 12 cents	London and O'seas Frtrs.	May 30	Final 1.072
*Avon Rubber	June 3	Int. 4.0	*MEPC	June 2	Int. 1.75
*BOC Intl.	May 26	Int. 2.1	Marley	June 2	Int. 2.0
*Bass	June 9	Int. 2.3	*Marks and Spencer	May 20	Final 1.9
Beecham	May 29	Final 3.245	*Metal Box	June 8	Final 11.83
*Bilton (P.)	May 26	Final 4.4	*Northern Foods	June 4	Int. 2.0
*Boots	May 21	Final 4.125	*Pilkington Bros.	June 12	Final 5.5
Brit. and Com. Shipg.	June 12	Final 7.0	*RHM	May 21	Int. 1.524
*Brockhouse	May 22	Int. 2.0	*Readicut Intl.	May 19	Final 0.7
*Capital and Counties	May 19	Final 2.0	*Redfearn Nat. Glass	May 20	Int. 5.28
Chloride	June 12	Final 2.3	Reed Intl.	June 3	Final 9.0
Coalite	May 29	Final 2.56	Samuel (H.)	May 19	Final 5.524
*Courtaulds	May 28	Final 5.674	*600 Group	June 11	Final 2.91
*Debenhams	May 29	Final 4.324	Sketchley	June 3	Final 5.2
De La Rue	June 3	Final 13.2	*Tate and Lyle	May 27	Int. 4.0
Duport	May 21	Final 3.116	UBM	May 29	Final 3.5
Electronic Rentals	June 5	Final 3.143	UKO Intl.	June 12	Final 8.48
Gt. Portland Estates	June 9	Final 4.0	Valor	June 12	Final 1.891
Guinness (A.)	June 13	Int. 1.575	Ward (T. W.)	June 3	Int. 2.407
Guthrie	June 5	Final 21.0	*Whitbread	May 19	Final 4.35
Hanson Tst.	June 11	Int. 3.75	Woodhead (Jonas)	June 13	Final 5.0
Harrisons and Crosfield	June 3	Final 20.5	*Wolv. and Dudley Brws.	May 29	Int. 3.0
Hickson and Welch	June 5	Int. 2.5			
Hill Samuel	June 12	Final 4.018			
ICL	May 29	Int. 0.95			
Intl. Timber	June 10	Final 5.8			

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

BASE LENDING RATES

A.B.N. Bank	12 %	■ Guinness Mahon	12 %
Allied Irish Bank	12 %	■ Hambros Bank	12 %
American Express Bk.	12 %	Heritable & Gen. Trust	12 %
Amro Bank	12 %	■ Hill Samuel	§12 %
Henry Ansbacher	12 %	C. Hoare & Co.	†12 %
AP Bank Ltd.	12 %	Hongkong & Shanghai	12 %
■ Arbuthnot Latham	12 %	Keyser Ullmann	12 %
Associates Cap. Corp.	12 %	Knowsley & Co. Ltd.	14 %
Banco de Bilbao	12 %	Langris Trust Ltd.	12 %
BCCI	12 %	Lloyds Bank	12 %
Bank of Cyprus	12 %	Mallinhall Limited	12 %
Bank of N.S.W.	12 %	Edward Manson & Co.	13 %
Banque Belge Ltd.	12 %	Midland Bank	12 %
Banque du Rhone et de la Tamise S.A.	12½%	■ Samuel Montagu	12 %
Barclays Bank	12 %	■ Morgan Grenfell	12 %
Beneficial Trust Ltd.	13 %	National Westminster	12 %
Bremar Holdings Ltd.	13 %	Norwich General Trust	12 %
Bristol & West Invests.	13 %	P. S. Refson & Co.	12 %
Brit. Bank of Mid. East	12 %	Ryl. Bk. Canada (Ldn.)	12 %
■ Brown Shipley	12½%	Slavenburg's Bank	12 %
Canada Perm't Trust	13 %	E. S. Schwab	13 %
Cayzer Ltd.	12 %	Standard Chartered	‖12 %
Cedar Holdings	12 %	Trade Dev. Bank	12 %
■ Charterhouse Japhet	12 %	Trustee Savings Bank	12 %
Choulartons	12 %	TCB Ltd.	12 %
C. E. Coates	12 %	United Bank of Kuwait	12 %
Consolidated Credits	12 %	Whiteway Laidlaw	12½%
Co-operative Bank	*12 %	Williams & Glyn's	12 %
Corinthian Secs.	12 %	Wintrust Secs. Ltd.	12 %
The Cyprus Popular Bk.	12 %	Yorkshire Bank	12 %
Duncan Lawrie	12 %		
Eagil Trust	12 %		
E. T. Trust Limited	12 %		
First Nat. Fin. Corp.	14½%		
First Nat. Secs. Ltd.	14½%		
Robert Fraser	12 %		
Antony Gibbs	12 %		
Greyhound Guaranty	12 %		
Grindlays Bank	‡12 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 9%, 1-month 9¼%. Short term £4,000/12 months 11.85%.
† 7-day deposits on sums of £10,000 and under 9%, up to £50,000 9¾%, and over £50,000 10½%.
‡ Call deposits £1,000 and over 9%.
§ Demand deposits 9½%.
‖ 21-day deposits over £1,000 10½%.

Public Works Loan Board rates

Effective from May 9

Years	Quota loans repaid by EIP†	A‡	at maturity§	Non-quota loans A* repaid by EIP†	A‡	at maturity§
Up to 5	13¾	13¾	14¼	14¼	14¼	14¼
Over 5, up to 10	14¼	14⅜	14½	14⅝	14⅞	15
Over 10, up to 15	14⅝	14½	14⅝	15⅛	15	14⅞
Over 15, up to 25	14½	14⅜	14⅜	15	14⅞	14⅞
Over 25	14⅜	14⅜	14⅜	14⅞	14⅞	14⅞

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Knowsley (051-548 6555)	12¼	½-year	1,000	1-2

CURRENCIES, MONEY and GOLD

The French franc at bay

BY COLIN MILLHAM

Most of the money flowing out of France last week appeared to be moving into dollar deposits or U.S. paper, with most of the remainder going into the Swiss franc. High U.S. interest rates may have attracted up to 80 per cent of the funds fleeing from Paris, according to money market estimates, while perhaps another 15 per cent went to Zurich, helping to keep the Swiss franc strong against other European currencies. There was no sign of a large move into German deposits or securities however, and although the D-mark was very firm against the French franc, the German currency touched its lowest level against the dollar for over 3½ years.

The German Bundesbank gave some support to the D-mark, with the apparent vain intention of holding the dollar below DM2.30. On the other hand German support for the troubled French franc was not obvious as the French currency struggled to pick itself off the floor of the European Monetary System.

Despite the rise of 4½ per centage points in the French Treasury bill discount rate, which is effectively the Bank of France minimum lending rate, and various other moves designed to correct the franc's weakness, the currency failed to make any sustained recovery.

Very large central bank support was required to keep the franc within EMS limits, including a small amount from the Bundesbank at Friday's Frankfurt fixing, but the French unit usually fell below its floor when the Bank of France withdrew from the market in the late afternoon.

The French authorities spent over FFr 11bn defending the franc last week, and about FFr 9bn from the beginning of April until the Socialist victory in the Presidential election. In the week before the election Bank of France intervention was stimated at over FFr 3bn.

M. Mitterrand's election success appears to have caught the foreign exchange market surprisingly unprepared, leading to comments that Europe's financial credibility is now being tested at a time when the U.S. creasing determination to pursue a much tighter monetary policy. A further rise in U.S. rates was still expected on Friday in anticipation of higher money supply figures, while rumours circulated in Europe about currency support packages, and possible realignment of the EMS.

THE POUND SPOT AND FORWARD

May 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.0700-2.0830	2.0730-2.0740	1.45-1.55c dis	−8.68	3.85-3.95dis	−7.52
Canada	2.4890-2.4990	2.4915-2.4925	1.40-1.50c dis	−8.38	4.25-4.40dis	−6.94
Nethlnd.	5.29-5.33	5.31½-5.32½	⅛c pm-⅜ dis	−0.28	⅛ pm-⅛ dis	0.09
Belgium	77.60-78.05	77.80-77.90	50-60c dis	−8.48	140-150 dis	−7.46
Denmark	14.98-15.09	15.07-15.09	3¾-5 ore dis	−3.48	9¾-11½ dis	−2.82
Ireland	1.3020-1.3130	1.3115-1.3125	0.22-0.43p dis	−2.97	0.87-1.25dis	−3.23
W. Ger.	4.76-4.80	4.78½-4.79½	⅛pf pm-⅜ dis	−0.31	⅛-1¼ dis	−0.73
Portugal	125.80-126.80	126.00-126.20	95-165c dis	−12.37	200-375 dis	−9.12
Spain	189.70-190.80	190.20-190.40	130-160c dis	−9.14	385-430 dis	−8.56
Italy	2,372-2,387	2,384½-2,386½	20½-22½ lire dis	−10.81	58¼-61½dis	−10.02
Norway	11.76-11.82	11.76-11.78	⅜ore pm-1¼ dis	−0.45	⅜ pm-2 dis	−0.28
France	11.47-11.56	11.54-11.55	6-7c dis	−6.76	18¾-20¼ dis	−6.76
Sweden	10.17-10.22	10.17-10.19	4-4⅞ore dis	−5.23	10¼-11¼ dis	−4.22
Japan	460-465	462-463	2.25-1.80y pm	5.25	5.80-5.25 pm	4.78
Austria	33.65-33.85	33.77-33.82	2gro pm-3 dis	−0.18	1 pm-9 dis	−0.47
Switz.	4.27½-4.30½	4.28½-4.29½	1c pm-par	1.40	2¼-1¼ pm	1.51

Belgian rate is for convertible francs. Financial franc 79.80-79.90. Six-month forward dollar 6.40-6.50c dis, 12-month 9.40-9.60c dis.

THE DOLLAR SPOT AND FORWARD

May 15	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.0700-2.0830	2.0730-2.0740	1.45-1.55c dis	−8.68	3.85-3.95dis	−7.52
Ireland†	1.5820-1.5935	1.5820-1.5850	0.64-0.84c dis	−5.58	1.46-1.85dis	−4.15
Canada	1.1997-1.2007	1.2000-1.2003	0.17-0.12c pm	1.45	0.18-0.13 pm	0.52
Nethlnd.	2.5500-2.5600	2.5580-2.5600	2.05-1.95c pm	9.41	5.02-4.92 pm	7.79
Belgium	37.35-37.57	37.55-37.57	4-1c pm	0.80	2 pm-2 dis	—
Denmark	7.2000-7.2275	7.2150-7.2200	2.40-2.00ore pm	3.66	5.50-5.10 pm	2.94
W. Ger.	2.2900-2.3130	2.3110-2.3120	1.61-1.55pf pm	8.20	3.85-3.79 pm	6.61
Portugal	60.70-61.05	60.90-61.05	par-30c dis	−2.96	20 pm-60dis	−1.31
Spain	91.25-91.70	91.40-91.50	par-10c dis	−0.66	15-30 dis	−0.98
Italy	1,141½-1,150	1,148-1,150	1¼-2 lire dis	−1.70	6½-7½ dis	−2.45
Norway	5.6700-5.6825	5.6725-5.6775	4.40-4.00ore pm	8.88	10.75-10.35pm	7.44
France	5.5175-5.5950	5.5725-5.5775	0.70-0.20c pm	0.97	1.00 pm-par	0.36
Sweden	4.9020-4.9130	4.9100-4.9125	1.75-1.65ore pm	4.03	4.60-4.40 pm	3.66
Japan	221.75-223.50	223.15-223.25	2.55-2.40y pm	13.31	6.65-6.50 pm	11.78
Austria	16.19-16.25	16.21½-16.22	12.80-11.30gro pm	8.92	31.50-27.50pm	7.28
Switz.	2.0570-2.0730	2.0695-2.0705	1.83-1.73c pm	10.32	4.85-4.75 pm	9.27

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

GOLD

	May 15		May 14	
Gold Bullion (fine ounce)				
Close	$483-486	(£232-234¼)	$476-479	(£230½-232)
Opening	$482-485	(£232-233½)	$477-480	(£231-232¾)
Morning fixing	$482.50	(£232.228)	$480.75	(£232.336)
Afternoon fixing	$485	(£233.061)	$476.50	(£230.082)
Gold Coins				
Krugerrand	$498-499	(£240½-241)	$491-492½	(£237¾-238½)
1/2 Krugerrand	$256-257	(£123½-124)	$253¾-254¾	(£123-123½)
1/4 Krugerand	$131-132	(£63¼-63¾)	$129¼-130¼	(£62½-63)
1/10 Krugerrand	$54-55	(£26-26½)	$52¾-53¾	(£25½-26)
Mapleleaf	$492-493	(£237½-238)	$487½-488½	(£236-236½)
New Sovereigns	$122-123	(£59-59½)	$119¾-120½	(£58-58½)
King Sovereigns	$131-133	(£63¼-64¼)	$130-132	(£63-64)
Victoria Sovs.	$131-133	(£63¼-64¼)	$130-132	(£63-64)
French 20s	$196-200	(£94¾-96½)	$197-200	(£95½-97)
50 pesos Mexico	$600-604	(£289¾-291¾)	$594-598	(£287¾-289¾)
100 Cor. Austria	$468-472	(£226-228)	$461-465	(£223-225¼)
$20 Eagles	$583-587	(£281½-283½)	$581-586	(£281½-284)

OTHER CURRENCIES

May 15	£	$		£ Note Rates
Argentina Peso	6677-6697	3214-3224	Austria	33.55-33.90
Australia Dollar	1.8200-1.8240	0.8790-0.8795	Belgium	79.45-80.15
Brazil Cruzeiro	171.38-172.38	82.53-82.94	Denmark	14.90-15.05
Finland Markka	8.97-8.99	4.3240-4.3250	France	11.43-11.51
Greek Drachma	114.577-117.485	55.65-55.85	Germany	4.75¾-4.78¾
Hong Kong Dollar	11.32¼-11.34¼	5.4520-5.4550	Italy	2330-2380
Iran Rial	163.40*	78.10*	Japan	462-468
Kuwait Dinar(KD)	0.572-0.578	0.2774-0.2776	Netherlands	5.28¼-5.32½
Luxembourg Frc.	77.80-77.90	37.55-37.57	Norway	11.73-11.83
Malaysia Dollar	4.8425-4.8525	2.3315-2.3335	Portugal	123-127
New Zealand Dlr.	2.3535-2.3585	1.1365-1.1375	Spain	185¼-195¼
Saudi Arab. Riyal	6.96-7.03	3.3698-3.3728	Sweden	10.17-10.27
Singapore Dollar	4.4625-4.4725	2.1490-2.1510	Switzerland	4.27-4.31
Sth African Rand	1.7395-1.7405	0.8390-0.8395	United States	2.07¼-2.08¾
U.A.E. Dirham	7.59-7.65	3.6715-3.6740	Yugoslavia	72½-80

Rate given for Argentina is free rate. * Selling rate.

FT LONDON INTERBANK FIXING (11.00 a.m. MAY 15)

3 months U.S. dollars		6 months U.S. dollars	
bid 19 3/4	offer 19 7/8	bid 18 15/16	offer 19 1/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

May 15	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	11⅝-11⅞	18⅜-18⅝	18-19	10⅛-10¼	2½-3	10½-10¾	16½-16½	18-20	14-16	6-6½
7 days' notice	11⅝-11⅞	18½-18¾	18-19	10⅜-10⅝	4-4½	11⅛-11⅜	16¾-17¾	19½-21½	16-18	6¼-6½
Month	11 15/16-12 1/16	20⅛-20⅜	19-19⅜	11¼-11½	10-10½	12¼-12⅜	18-19	21⅝-22⅝	18-20	6 7/16-6 9/16
Three months	12¼-12⅜	19½-19¾	19-19⅜	11¾-12	10¼-10⅜	12 7/16-12 9/16	18-19	21¾-22¼	18½-19½	7½-7¾
Six months	12 7/16-12 9/16	18⅝-18⅞	18½-18⅞	11⅞-12⅛	10¼-10⅜	12⅝-12¾	18-19	21-21½	17¾-18¾	7 7/16-7 9/16
One Year	12 7/16-12 9/16	17½-17¾	17½-17⅞	12-12¼	9 7/16-9 9/16	12 7/16-12 9/16	16½-17½	20½-21	16½-17½	8⅛-8⅜

SDR linked deposits: one month 15⅞-16⅛ per cent; three-months 15¾-16⅛ per cent; six-months 15⅜-15⅝ per cent; one-year 14 13/16-15 3/16 per cent.

ECU linked deposits: one-month 14 11/16-15 1/16 per cent; three-months 14⅞-15⅛ per cent; six-months 14 13/16-15 3/16 per cent; one-year 14⅝-14⅞ per cent.

Asian $ (closing rates in Singapore): one-month 20⅛-20⅜ per cent; three-months 19⅝-19⅞ per cent; six-months 19 1/16-18 5/16 per cent; one-year 18-18¼ per cent. Long-term Eurodollar two-years 16¾-17 per cent; three-years 16⅝-16⅞ per cent; four-years 16⅝-16⅞ per cent; five-years 16⅝-16⅞ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 19.10-19.20 per cent; three-months 19.25-19.35 per cent; six-months 19.40-19.50 per cent; one-year 17.30-17.40 per cent.

LONDON MONEY RATES

May 15 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ●	Eligible Bank Bills ●	Fine Trade Bills ●
Overnight	—	9-14	11¾-11⅞	—	—	11-12	9-11½	—	—	—
2 days notice	—	—	11⅞-12	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	11½-11⅝	11¾-12	—	—	11⅞	11½-11¾	—	—	—
One month	12-11⅞	11⅞-12⅛	[illegible]	12½-12⅛	[illegible]	12⅛	12¼	11⅝	[illegible]	12⅝
Two months	12⅛-12	12-12⅛	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11⅝	[illegible]	12¾
Three months	12 7/16-12⅜	12¼-12⅜	12¼-12⅛	12⅜-12¼	12¼	12⅜-12¼	11¾-11⅞	11¾	[illegible]	12⅝
Six months	12⅝-12½	12⅝-12¾	[illegible]	[illegible]	12⅝	[illegible]	—	—	—	—
Nine months	12⅝-12½	12⅝-12¾	—	[illegible]	12⅝	—	—	—	—	—
One year	12⅝-12½	12⅝-12¾	12⅛-12⅜	12⅝-12½	12⅞	—	—	—	—	—
Two years	—	—	—	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 13¼ per cent; four years 13½ per cent; five years 14 per cent. ●Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 11⅝ per cent; four-month trade bills 12⅝ per cent.

Approximate selling rate for one-month Treasury bills 11⅝ per cent; two-months 11⅝-11⅞ per cent; three-months 11⅝-11¾ per cent. Approximate selling rate for one-month bank bills 11⅞ per cent; two-months 11⅞-11⅝ per cent; three-months 11⅞-12 per cent; one-month trade bills 12⅝ per cent; two-months 12¾ per cent and three-months 12⅝ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 13 per cent from May 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 9 per cent. Clearing Bank Rates for lending 12 per cent. Treasury Bills: Average tender rates of discount 11.3028 per cent.

CURRENCY RATES

May 15	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	12	0.565463	0.531176
U.S. $	18	1.17475	1.10972
Canadian $	18.71	1.451181	1.32335
Austria Sch.	6¾	19.0603	17.9082
Belgium F.	13	43.9787	41.3024
Danish K.	11	unavail.	7.96165
D mark	7½	2.69533	2.53380
Guilder	9	3.00260	2.81566
French Fr.	12	6.60342	6.10356
Lira	19	1342.46	1260.61
Yen	6¼	260.677	245.488
Norwgn. Kr.	9	6.67728	6.28094
Spanish Pts.	8	unavail.	102.000
Swedish Kr.	12	5.76567	5.41458
Swiss Fr.	3	2.48281	2.27712
Greek Drch.	20½	unavail.	61.5650

PENDING DIVIDENDS

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing Price p	+ or −	Div.	Times Covered	Gross Yield	P/E Ratio
—	F.P.	—	£33¼	£31¼	Allegheny Int. Inc.	£31¼	+¼	[illegible]	[illegible]	[illegible]	[illegible]
‖ ‖	F.P.	—	£19¾	£15¼	Amdahl	£19¼	+¼	[illegible]	[illegible]	[illegible]	[illegible]
‖ ‖	F.P.	—	300	300	Atlantic Res.	310	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
88	F.P.	—	133	106	Blackwood Morton Sons	122	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§90	F.P.	15/5	133	99	Consultants Group	132	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
‖ ‖	F.P.	—	13½	12	Eglinton Oil & Gas	13½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
475	F.P.	—	500	475	Energy Res. & Services	500	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10	F.P.	—	13	12	Fst Charlotte Ast Tst	13½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
100	F.P.	22/5	111	100	G.T. Global Rec. Inv. Tst	104	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
‖ ‖	F.P.	—	68	55	Harvey & Thompson	60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
¶91	F.P.	—	96	93	Intasun Leisure	96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
§84	F.P.	15/5	114	93	Metal Bulletin	112	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
185	F.P.	—	52	36½	Munton Bros. 10p	51	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
—	F.P.	—	95	90	New Darien Oil Trust	95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
‖ ‖	F.P.	—	25	20	Stone Platt Cnv Cm Pf	25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue price £	Amount Paid Up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing Price £	+ or −
[illegible]	[illegible]	[illegible]	21p	16p	BPC 7.75% Non. Cum. Prf.	20p	[illegible]
[illegible]	F.P.	[illegible]	101¼	100	Cambridge Water 8% Prf. 1986	101	[illegible]
[illegible]	F.P.	[illegible]	34p	31p	Colonial Secs. 7% Cum. 2nd Prf.	32p	[illegible]
99.87	£30	[illegible]	29¾	27½	Finland 14¼% Ln. 1986	28¼	[illegible]
99.486	£30	[illegible]	29¼	26¼	Hydro-Quebec 14¼% Ln. 2006	27¾	[illegible]
100	[illegible]	[illegible]	1p	1p	Laing Props 8¼% Cnv. Uns. Ln. 2000-05	1p	[illegible]
97½	[illegible]	[illegible]	[illegible]	[illegible]	Lee Valley Water 14% Red. Prf. 1986	[illegible]	[illegible]
99	£10	[illegible]	10½	10	Newcastle Water 7½% Red. Prf. 1986	10½	[illegible]
‖	F.P.	[illegible]	107p	101p	Royal Ins. [illegible]	[illegible]	[illegible]
96½	£30	[illegible]	[illegible]	[illegible]	Spain 14¼% Ln. 2006	[illegible]	[illegible]
[illegible]	F.P.	26/6	104½	103	Sutton District Water 8% Prf. 1986	102	[illegible]
96½	£25	[illegible]	[illegible]	[illegible]	Sweden 13¼% Ln. 2006	[illegible]	[illegible]
‖	[illegible]	[illegible]	2pm	1pm	Weir Group 8% Red Cum Part. Cnv. Prf.	1pm	[illegible]
‖	F.P.	4/6	105	101¼	West Hampshire Water 8% Red. Prf. '86	101¼	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid Up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing Price p	+ or −
54	Nil	—	22pm	17pm	Amal. Power Eng.	22pm	[illegible]
154	F.P.	8/5	225	215	Ash & Spinx	216	[illegible]
3	Nil	28/5	6½	3	Barker & Dobson A	[illegible]	[illegible]
190	Nil	—	32pm	19pm	Barratt Dev.	32pm	[illegible]
380	Nil	—	20pm	8pm	Berkeley Hambro	20pm	[illegible]
66	Nil	—	5	5	Bristol Channel Ship	5	[illegible]
25	Nil	—	25pm	20pm	Brit. Car Auction	20pm	[illegible]
165	Nil	—	12pm	4pm	Brit. Dredging	4pm	[illegible]
340	F.P.	22/5	5/7	402	Broken Hill Prop.	495pm	[illegible]
36	F.P.	1/6	29½	24	Cope Sportswear	28	[illegible]
10	Nil	—	1pm	1pm	Cray Electronics	1pm	[illegible]
125	Nil	—	40pm	21pm	Cresta Int. [illegible]	[illegible]	[illegible]
96	Nil	—	39pm	21pm	Country & New Town Props	36pm	[illegible]
190	Nil	—	20pm	4pm	Eurotherm Intl.	6pm	[illegible]
92	F.P.	15/6	5/6	110	Electrical & Industrial	119	[illegible]
98	Nil	22/5	26/6	4pm	Floyd Oil	4pm	[illegible]
96	Nil	22/5	19/6	5pm	Fothergill & Harvey	[illegible]	[illegible]
80	Nil	—	4pm	14pm	Gordon & Gotch	19pm	[illegible]
103	F.P.	10/4	22/5	360	Hong Kong & Shanghai Bank	360	[illegible]
50	Nil	—	1pm	—	Kingsbury Plc	[illegible]	[illegible]
5	Nil	—	9pm	5pm	London Shop Pr'p 9½ Cnv. '93-'94	[illegible]	[illegible]
155	Nil	—	31pm	20pm	Mowlem (J.)	29pm	[illegible]
165	F.P.	7/5	176	170	Rohan Group	176	[illegible]
160	F.P.	15/5	170	153	Rowntree Mackintosh	166	[illegible]
150	Nil	—	25pm	24pm	South African Land	24pm	[illegible]
40	F.P.	24/4	22/5	150	Spirax-Sarco	150	[illegible]
40	Nil	29/4	29/5	8pm	Sterling Credit	8pm	[illegible]
62	Nil	24/4	22/5	118	Thermal Syndicate	118	[illegible]
A1¼	70c	—	63	64	Woodside	64	[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimate for 1981. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ‡‡ Unlisted Securities Market. ‡‡ London Listing. † Effective issue price after scrip. ¶ Formerly dealt in under Rule 163(2)(a). ‡‡ Units comprising 126 A Ord. & 6 12½% Cum. Prf.

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Craigmount Fixed Int. Mngrs. (Jersey) Ltd. [illegible]

DWS Deutsche Ges. F. Wertpapiersp [illegible]

Delta Group [illegible]

Deutscher Investment-Trust [illegible]

Dreyfus Intercontinental Inv. Fd. [illegible]

Duncan Lawrie Inv. Mgt. (Jersey) [illegible]

Emson & Dudley Tst. Mgt. Jrsy. Ltd. [illegible]

The English Association [illegible]

Eurobond Holdings N.V. [illegible]

S.G. Europe Obligations S.A. [illegible]

F & C Mgmt. Ltd. Inv. Advisers [illegible]

Fidelity International [illegible]

First Viking Commodity Trusts [illegible]

Fleming Japan Fund S.A. [illegible]

Frankfurt Trust Investment-GmbH [illegible]

Free World Fund Ltd. [illegible]

G.T. Management Ltd. [illegible]

Gartmore Investment Ltd. [illegible]

Guinness Mahon Fd. Mgrs. (Guernsey) [illegible]

Hambro Pacific Fund Mgmt. Ltd. [illegible]

Hambros (Guernsey) Ltd. [illegible]

Henderson Admin. (Guernsey) Ltd. [illegible]

Henderson Baring Group [illegible]

Hill-Samuel & Co. (Guernsey) Ltd. [illegible]

Midland Bank Tst. Corp. (Jersey) Ltd. [illegible]

Samuel Montagu Ldn. Agents [illegible]

Murray, Johnstone (Inv. Adviser) [illegible]

Negit S.A. [illegible]

Nat. Westminster Jersey Fd. Mgrs. Ltd. [illegible]

Pacific Basin Fund [illegible]

Phoenix International [illegible]

Providence Capital Life Ass. (C.I.) [illegible]

Quest Fund Mngmt. (Jersey) Ltd. [illegible]

Queensland Commodities [illegible]

RBC Investment Managers Limited [illegible]

Richmond Life Ass. Ltd. [illegible]

Rothschild Asset Management (C.I.) [illegible]

Rothschild Asset Mgt. (Bermuda) [illegible]

Save & Prosper International [illegible]

Schlesinger International Mngt. Ltd. [illegible]

Schroder Life Group [illegible]

Schroder Mngt. Services (Jersey) Ltd. [illegible]

J. Henry Schroder Wagg & Co. Ltd. [illegible]

Sentry Assurance International Ltd. [illegible]

Singer & Friedlander Ldn. Agents [illegible]

Standard Chartered Int. Bd. Fd. [illegible]

Strategic Metal Trust Mngrs. Ltd. [illegible]

Stronghold Management Limited [illegible]

Surinvest Trust Managers Ltd. [illegible]

TSB Unit Trust Managers (C.I.) Ltd. [illegible]

TSB Gilt Fund Managers (C.I.) Ltd. [illegible]

Tokyo Pacific Holdings N.V. [illegible]

Tokyo Pacific Hldgs. (Seaboard) N.V. [illegible]

Tyndall Group [illegible]

Utd. Intnl. Mngmt. (C.I.) Ltd. [illegible]

United States Tst. Intl. Adv. Co. [illegible]

S. G. Warburg & Co. Ltd. [illegible]

Warburg Invest. Mngt. Jrsy. Ltd. [illegible]

Wardley Investment Services Ltd. [illegible]

World Wide Growth Management [illegible]

Wren Commodity Management Ltd. [illegible]

NOTES [illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Am. Gth. Tst.	61.4	66.0	-0.3	2.20
Abbey Capital	51.7	55.7	+0.4	3.94
Abbey General	60.2	64.1	+0.8	4.72
Abbey Gilt & F.I. Tst.	103.7	109.2	+0.3	12.00
Abbey Income	[illegible]	42.5	+0.2	[illegible]
Abbey W'w. Bd. Tst.	[illegible]	101.5	-0.1	[illegible]
Abbey Inv. Tst. Fd.	[illegible]	57.6	+0.4	4.17
Equitas Prog. Tst.	85.1	92.0	+0.6	4.65

Allen Harvey & Ross Unit Tst. Mngrs.
Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt Trust	82.7	87.0	----	13.08

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds

Allied 1st	95.8	102.5	+1.0	5.46
Brit. Inds. Fund	82.8	88.6	+0.5	5.76
Growth & Income	54.8	58.6	+0.4	4.61
Elect. & Ind. Dev.	47.9	51.3	+0.5	4.87
Allied Capital	101.3	108.4	+0.8	4.06
Hambro Fund	141.7	151.6	+1.3	5.48
Hambro Acc. Fund	193.7	207.3	+1.7	3.96

Income Funds

High Yield Fd.	72.9	78.0	+0.6	7.40
High Income	86.1	92.1	+0.8	6.95
Equity Income Fd.	49.6	53.1	+0.3	6.69
Int. Secs.	24.3	24.9	+0.1	12.45

International Funds

International	37.1	39.7	----	2.09
Pacific Fund	27.4	29.3	+0.1	0.22
[illegible] Fund	74.6	79.6	+0.4	0.76
Secs. Of America	81.7	87.4	-0.6	1.85

Specialist Funds

Smaller Co.'s Fd.	61.3	65.4	+0.3	3.96
2nd Smlr. Co's Fd.	75.2	80.5	+0.1	3.75
Recovery Sits.	27.4	31.5	+0.2	4.48
Met. Min. & C'dty.	70.8	75.8	+0.6	4.54
Overseas Earnings	74.4	79.6	+0.5	4.64

Exempt Funds

Income Exempt	56.2	59.0	-0.1	7.20
Far East Exempt	77.8	80.9	+0.2	0.93
Smaller Co. Exempt	97.0	101.8	+0.2	[illegible]

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 4931

Cres. Amer. Fd.	46.0	49.4	-0.1	0.50
Cres. Internat'l.	90.2	97.4	+0.4	1.66
Cres. High. Dist.	46.2	49.8	+0.05	9.54
Cres. Reserves	53.6	57.8	+0.5	5.08
Cres. Tokyo	37.8	40.8	+0.3	0.86

Dartington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	23.5	25.0	----	8.87

Discretionary Unit Fund Managers
36/38 New Broad St, EC2M 1NU. 01-638 4485

Disc. Inc. May 15	258.0	275.1	-9.5	4.86

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	20.7	22.9	----	6.77
Gt. Winchester O'seas	30.2	31.9	----	3.19

For Emson and Dudley see Robert Fraser Tst. Mgmt.

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	95.2	100.2	+0.7	4.38

Fidelity International Management Ltd.
62-63 Queen St, London EC4 1AD 01-248 4891

American (z)	42.0	45.2	+0.3	0.52
Amer. Spec. Sits. (z)	30.3	32.6	+0.3	0.21
Gilt + Fixed Int.	23.3	25.6	+0.1	12.27
Growth + Income	36.8	39.5	----	6.59
Maximum Inc. Eq. Tst.	30.9	33.3	+0.2	8.04
Special Sits.	43.3	46.6	+0.3	1.62

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321

J. Finlay Internat'l.	40.0	43.0	----	2.67
Accum. Units	50.0	53.6	----	2.67
J. Finlay High Income	38.3	41.2	----	9.36
Finlay Wld. Energy	18.2	19.6	+0.1	1.07
Accum. Units	23.6	25.3	+0.1	1.07
J. Finlay Fd. In. Tst.	41.0	44.1	----	4.59
Accum. Units	53.1	57.1	----	4.59

Prices on May 13. Next dealing May 20.

Framlington Unit Mgt. Ltd. (a)
64, London Wall, EC2M 5NQ. 01-628 5181

Amer. & Gen.	90.0	96.2	+0.2	0.82
Am. T'around	83.4	89.0	----	1.58

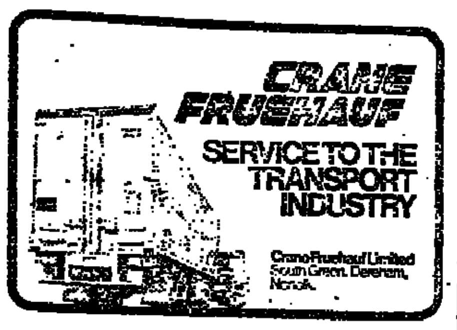
[illegible]

INSURANCE PROPERTY BONDS

[illegible]

OFFSHORE & OVERSEAS FUNDS

[illegible]



FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Continued

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

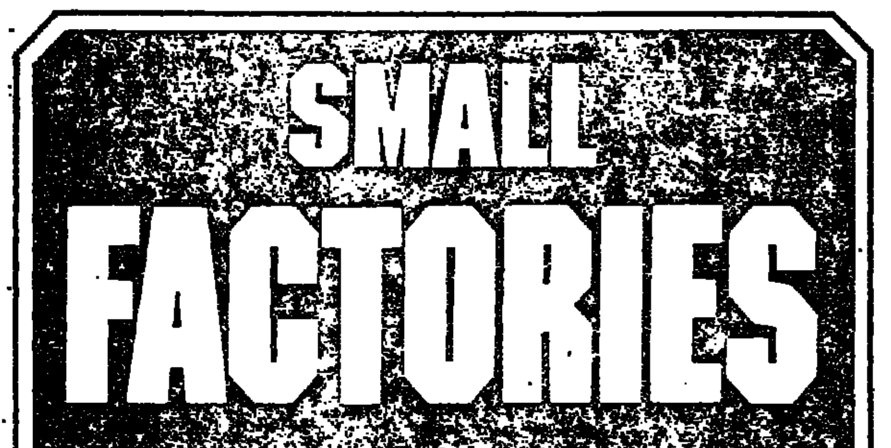
[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]



INDUSTRIALS—Continued

INSURANCE

INSURANCE—Continued

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

MINES—Continued

Australian

Tins

Copper

Miscellaneous

Aug.	Feb.	Cons. Murch. 10c.	270	30.6	t030c	1.8	6.4
—		††Hemerdon 10c.	80	—	—	—	—
—		Highwood Res.	155	—	—	—	—
—		Northgate C$1	345	977	—	—	—
Jan.	July	R.T.Z.	540	10.11	16.0	3.2	4.3
—		Do.5½%Cu.Ln.'95-2000	£122	—	Q5½%	—	f8.1
—		††SPO Minerals 10p	110	—	—	—	—
—		Sabina Inds. C$1	34	—	—	—	—
—		††SWCM 10p	41	—	—	—	—
—		Tara Exptn. $1	500	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- ✣ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ✣ Not comparable.
- ♦ Same interim; reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ** Regional price.
- ‖ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. ★★ Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. x Prospective real rate of return. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1980-81. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xk ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	42	-1	**IRISH**		
Bertam	14	.....	Conv. 9% '80/82	£92¾	.....
Bdg'wtr. Est. 50p	450	-10	Nat. 9¾% 84/89	£78½	.....
Craig & Rose £1	£11¾	.....	Fin. 13% 97/02	£79	-¼
Fife Forge	63	.....	Alliance Gas	80	.....
Finlay Pkg. 5p	19	.....	Arnott	255	-5
Graig Ship. £1	£18	.....	Carroll (P.J.)	88	.....
Higsons Brew.	73	.....	Concrete Prods.	93	.....
Holt (Jos) 25p	460	.....	Heiton (Hldgs.)	30	.....
I.O.M. Stm. £1	157	.....	Ins. Corp.	395	.....
Pearce (C. H.)	960	.....	Irish Ropes	[illegible]	.....

OPTIONS

3-month Call Rates

Courtaulds	6	Nat. West. Bank	32	Brit. Petroleum	36
Debenhams	8	P & O Dfd.	13	Burmah Oil	16
Distillers	17	Plessey	30	Charterhall	9
Dunlop	7½	Racal Elect.	34	KCA	22
Eagle Star	22	R.H.M.	5	Premier	10
F.N.F.C.	3½	Rank Org. Ord.	18	Shell	34
Gen. Accident	30	Reed Intnl.	20	Tricentrol	30
Gen. Electric	60	Sears	5	Ultramar	44
Glaxo	28	Tesco	5½		
Grand Met.	14	Thorn EMI	30	**Mines**	
G.U.S. 'A'	44	Trust Houses	18	Charter Cons.	21
Guardian	32	Tube Invest.	18	Cons. Gold	45
G.K.N.	16	Turner & Newall	10	Lonrho	9
Hawker Sidd.	25	Unilever	58	Rio T. Zinc	45

"Recent Issues" and "Rights" Page 28

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

FINANCIAL TIMES

Monday May 18 1981

EEC urged to curb Japanese car imports

BY TERRY DODSWORTH IN PARIS

EUROPE'S LEADING motor manufacturers are to step up their campaign for official EEC action against imports of Japanese cars after the complete breakdown of attempts to arrange a system of voluntary restraint.

This new and tougher line among the 10 big European producers emerged here during a meeting at the weekend in which the Japanese Automobile Manufacturers' Association (JAMA) refused to give any guarantees on limiting shipments to Europe.

"We think that the Japanese should give equal consideration to Europe to that which they have shown to the U.S.," said Signor Umberto Agnelli, vice-chairman of Fiat and chairman of the Comité des Constructeurs du Marché Commun (CCMC). "We have not been listened to. Now the matter lies with European Governments."

Japan's rising car shipments to the Community are likely to be raised with Mr. Naohiro Amaya, Japanese Minister for Foreign Trade, when he visits Brussels at the end of May. In the wake of Japan's recent agreement to cut its vehicle exports to the U.S. over the next three years, the Commission is committed to demanding analogous treatment for Europe.

The CCMC feels, however, that the EEC talks are unlikely to lead anywhere unless more pressure is put upon national governments to take a tougher line. So far, no consistent view has emerged in Europe on how to tackle the problem.

Some countries, like France, Italy and the UK, already have restrictions on Japanese car imports. Some, like West Germany, are firmly opposed to protectionist measures. Others, like Denmark, have no producers to defend.

Because of the political divisions, the CCMC would have preferred a voluntary industry-to-industry agreement. But despite some vague statements from JAMA on "efforts to improve," the Japanese have refused to give any commitments pointing out that the U.S. restrictions were forced on them by Washington.

The European campaign against Japan is partly based on fears that the recent controls on exports to the U.S. could mean a diversion of additional Japanese vehicles to Europe. So far this year, Japanese manufacturers have increased their sales in the EEC by about 8 per cent, despite a decline of 9 per cent in their global market. This rise follows a 25 per cent increase to 758,000 units in Japanese car registrations in 1980.

EEC producers are now desperately afraid that the European industry can no longer compete on equal terms with the Japanese.

The CCMC clearly states that Japan has a big competitive edge over European manufacturers because of the lower production costs associated with the country's different social system. Even with the investment of $23bn in the European industry over the next three years, it will be "very difficult" to achieve sales prices comparable with those of the Japanese, it warns.

John Wyles writes from Brussels: The failure of these talks strengthens the importance of the European Commission's demand for voluntary restraint on Japanese car exports. This demand will be put to Mr. Amaya in Brussels next week. The EEC is expected to demand that Japanese car imports to the EEC this year should not exceed 1980 levels.

The feeling in Brussels is that the Japanese Government is ready to respond, at least as far as curbing its exports to the Benelux and German markets is concerned. These still remain the only "open" markets in the EEC.

THE LEX COLUMN

Australian bank permutations

The dust is slowly settling on the Australian banking shoot-out which seems likely to leave two major institutions in the hands of domestic rivals. The Bank of New South Wales has made an offer now worth A$625m (£343m) for the Commercial Bank of Australia, effectively shutting out the earlier bid from Australia and New Zealand Banking Group.

ANZ has in turn directed its attention to the Commercial Banking Company of Sydney, which is fending off an unwelcome bid from the National Bank of Australasia. The ANZ appears to be a more welcome suitor and should be able to top the all-paper NBA offer early next week, perhaps with a package which includes a cash element.

The *dramatis personae* of this month's drama include every major Australian bank except the state-owned Commonwealth Banking Corporation, which is excluded from the fun on political grounds. The only remaining permutation would be a bid for the jilted National Bank but, in the present climate, any bidder would probably need to offer at least A$1bn, which would be too tall an order.

Bemused shareholders are no doubt asking themselves why such fancy prices are being paid. The Wales offer valued Commercial Bank at over 18 times earnings, which looks more than a little out of line in a banking sector which has traded on the basis of between 4½ and 6 times earnings over the past few years.

Apart from a cash element of A$126m, completion of the bid would produce an increase of roughly 70 per cent in Wales' issued equity. Wales shareholders, sniffing dilution, sent the shares tumbling from $3.40 to around $3 on Friday.

Assessing the bids on an assets basis is scarcely feasible, since Australian accounting principles do not call for depreciation of buildings and the book value of property often bears little relation to its true worth. Yet, using reported earnings as a yardstick, the prices offered certainly look generous.

The banks themselves would no doubt argue that short term commercial considerations must take second place to the strategic importance of creating a strong Australian banking sector. The Campbell Inquiry into the Australian financial sector will produce its findings later this year and is almost certain to recommend opening up the banking system to foreign competition.

In such an event, the existing Australian banks would be hard pressed to compete with the likes of Barclays and Citibank on major financing projects. Recent government estimates indicate that around U.S.$34bn will be ploughed into resource-related projects over the next decade, so the stakes are high.

A similar situation applies in Canada, where a bank act was passed last year allowing foreign banks more freedom of manoeuvre. The Canadian act produced no takeover action but then all the five principal chartered banks rank among the top 75 banks in the world on assets, according to last year's figures from The Banker. The largest Australian bank, Commonwealth Banking Corporation, ranked only 90th.

It was significant, for example, that no Australian bank figured in the lead management group for last year's $1.4bn credit for Woodside Petroleum. The Australian authorities are sensitive to the bank's search for greater muscle and seem certain to nod the bids through.

It is therefore a little surprising that, even after Friday's fall in the Wales share price, its offer stands at a premium of about 11 per cent over the Commercial Bank share price. The explanation lies partly in the attitude of Australia's trade unions. The private bank employees union last week called a national stoppage over the mergers, and there is concern in the stock market that union opposition could still scupper the proposals.

BPC

By holding almost 250,000 shares between them throughout 1980, it might have been thought that the directors of BPC were committing substantial personal resources to the future of their company. But it is made clear in the annual report of the troubled printing group that this has not been so, for the executive directors have been able to unload as many as 219,000 shares by taking advantage of a "stop loss" provision in the group's senior executive share purchase scheme. In all, the trustees of the scheme now hold 544,000 shares in BPC, which they intend to sell at an "appropriate time." A loss of £245,000 on the share purchase scheme has been provided for in the latest accounts.

The operation of the scheme dates from February 1972, when the trustees sold selected executives shares at a price of 56½p, the money being lent by the company. But payment of a premium to the trustees entitled the executives to the stop loss protection at any time over the subsequent 10 years. The Board decided to terminate the scheme in February this year, and the outstanding debts of the executives to the trustees were duly cancelled. Thus, Mr. Peter Robinson, managing director (and former chairman), avoided a personal loss of some £31,000.

Of course, BPC has been by no means unique in having such a stop loss provision. But it can seem very unfortunate that such schemes should aggravate the difficulties of companies like BPC when they got into serious financial trouble.

Coal Board expansion criticised

By Martin Dickson, Energy Correspondent

NATIONAL Coal Board expansion plans are attacked in a report out today. It claims UK coal consumption is likely to decline over the next 20 years and not grow in the big way forecast by the NCB and the Government.

The document also hits at the Government for its decision, in the face of a threatened miners' strike, to give additional aid to the NCB to keep open uneconomic pits.

"The Government's change of course seems to us a prime example of surrender to a powerful producer group with little regard to the interests of society as a whole," says the report,* published by the Institute of Economic Affairs.

The authors are Colin Robinson, head of the economics department at Surrey University, and Eileen Marshall, a lecturer there.

Professor Robinson says although international coal trade prospects appear bright, growth is likely to be centred in the U.S., Australia and South Africa, which use comparatively low-cost mining techniques.

In Britain, he says, the NCB's expansion schemes are based on out-of-date assumptions about industry's growth.

The NCB, which produced about 125m tonnes last year, projects demand in the year 2000 at about 170m tonnes. Professor Robinson believes it will be 75-110m tonnes—a drop of between 11 and 40 per cent on the 1980 figure.

He argues that because of the relative monopoly power of the UK mining industry the price of British coal will closely follow that of oil.

* *What Future for British Coal. Institute of Economic Affairs. Hobart Paper 89. £2.00.*

Index will show how tax rise has squeezed real incomes

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

TREASURY MINISTERS will want to keep their heads down on Friday when one of their bright ideas, the tax and price index, returns to embarrass them. The index will show how much the tax increase in the Budget and the rise in employee national insurance contributions have squeezed real incomes.

The index adjusts the more familiar and long-established retail prices index to take account of changes in direct taxes. It therefore shows the increase in pre-tax earnings needed by the average wage-earner to keep real (inflation adjusted) take-home pay unchanged in value.

The Government devised the tax and price index to show the favourable effect of the income tax cuts in the June, 1979, Budget and to offset the unfavourable impact on the retail prices index of the near doubling of Value Added Tax. Trade unions preferred to base their claims on the less favourable indicator, and wage rises accelerated.

The snag all along has been that, if the direct tax burden rises the tax and price index will rise faster than the retail prices index, upsetting hopes of encouraging pay moderation.

The latest tax increases (notably the failure to raise income tax allowances in line with inflation) mean that the tax and price index due on Friday will be rising at an annual rate of 3-3.5 percentage points faster than the retail prices index.

Indeed, in the full two years since the election the tax and price index is likely to have risen fractionally more than the retail prices index, showing that the benefits of the initial income tax cuts have been cancelled out.

The retail prices index for mid-April will probably show quite a sharp rise anyway, thanks to the second instalment of the Budget rises in indirect taxes and the big increase in local authority rates and rents.

But ministerial blushes should be spared slightly, as the monthly rise should be less than the 3.4 per cent jump a year ago. Consequently, the 12-month rate of increase in retail prices should decline below the 12.6 per cent figure of mid-March.

Otherwise, analysts will be scanning the statistics for further clues to whether the recession has levelled off. A particularly close watch will be focused on the retail sales figures for April (due this afternoon), the industrial production index for March (due tomorrow) and figures for capital investment stocks and consumer spending (all due on Thursday).

Row brewing over defence cuts

BY MARGARET VAN HATTEM, LOBBY CORRESPONDENT

THE PRIME MINISTER and senior colleagues will this week consider broad proposals for defence spending cuts of up to £10bn over the next 10 years. But junior ministers and backbenchers are already threatening revolt on this issue.

The first signs emerged at the weekend when Mr. Keith Speed, the Navy Minister, warned that he would not accept drastic cuts in Britain's surface fleet.

"I am not prepared to defend the indefensible," he told a meeting in his Ashford, Kent, constituency. "To run down the Royal Navy irreversibly would be to ignore this country's history, its geography, its economic trading base and the security facts of life as a member of Nato."

In making what is seen as a direct appeal to Cabinet above the head of the Defence Secretary, Mr. John Nott, Mr. Speed appeared to reflect widespread concern that despite his move to the defence portfolio in the last Cabinet reshuffle, Mr. Nott is more interested in tight monetary control than in strengthening defence.

The committee of senior ministers considering the cuts will include Lord Carrington, the Foreign Secretary, Sir Geoffrey Howe, the Chancellor, Mr. Nott, Mr. Pym and Mr. Peter Walker.

The main target areas include the British Army on the Rhine, the surface fleet of frigates and destroyers, and the RAF's procurement programme. However, the junior defence ministers and Conservative backbenchers, who have been subjected to an intense lobbying campaign from the armed forces and the defence manufacturing industry, are determined to use a two-day Commons debate on Tuesday and Wednesday to exert maximum pressure against the cuts before more detailed decisions are taken in Cabinet.

Mr. Speed insisted yesterday that his earlier warning was not intended as a resignation threat. He did not oppose cuts in principle—to take three or four of the navy's fleet of 60 frigates and destroyers out of operation would be acceptable.

But to take out 10, not to mention the halving of the Atlantic Fleet as had been mooted, was a very different matter. He was confident that the Government and the Conservative Party would not accept such "apocalyptic" measures.

Among the first Tory backbenchers to join Mr. Speed in opposing the planned cuts were Mr. Winston Churchill, Mr. Anthony Buck and Mr. Michael Brotherton.

Continued from Page 1

Savings

Savings Bank Investment Account, which lost some of its sparkle when the interest rate was reduced from 15 to 13 per cent at the beginning of May, but is still one of the most attractive homes for short-term deposits.

Gross receipts in April were £147.5m. Repayments left the net figure at £111.9m.

Save As You Earn (Third Issue), the index-linked regular savings plan, pulled in a net £5.6m. The biggest outflow was £24.8m from British Savings Bonds, due to repayment of a matured issue.

Total funds administered by the Department for National Savings stand at £16.6bn, an increase of £1.5bn in three months.

This gives some idea of the success of the Government in attracting funds from the personal sector. Building societies fear that the National Savings target of £3bn for the financial year to 1981-82 will be reached well before next April.

U.S. Government rebuffs airlines

BY IAN HARGREAVES IN NEW YORK

THE REAGAN Administration has rejected a demand by five leading U.S. international airlines for a 180-day moratorium on taking up new route rights by foreign carriers.

Mr. Drew Lewis, the Transport Secretary, told a gathering of aviation industry executives in New York that such a moratorium "would not be the wisest course of action to take at this time."

The five airlines, Pan Am; TWA; North-West Airlines; Braniff; and Flying Tiger Lines, say they are going through the worst financial crisis in their history.

In a special document presented to Mr. Lewis last week they said their collective losses on international business last year totalled $152m (£70.8m) and predicted more lay-offs and further falls in their share of international traffic.

Mr. Lewis assured the airlines involved that there would be full discussion of their grievances, but said any changes should be implemented through the existing negotiation procedures rather than by changing the law.

During such negotiations, normally bilateral talks between Governments, the Americans would seek to maintain for U.S. flag-carriers the "strongest competitive position possible with respect to their foreign counterparts."

Mr. Lewis spoke only briefly and cautiously about this subject, which threatens to become an additional sore point between the Administration and foreign Governments.

These are already disturbed by an unrelated aviation question, whether the U.S. will continue to bar its carriers from participating in certain fare-setting conferences of the International Air Transport Association.

Mr. Lewis said talks would be held in the next month with officials of European governments about this subject, recently brought back to boiling point by a ruling of the Civil Aeronautics Board that from September U.S. carriers' participation in fare-setting conferences on North Atlantic services to Europe would be illegal.

British Caledonian seeks pay freeze, Page 8

Costa Rican gold sales spark fears

By Peter Montagnon, Euromarkets Correspondent

FEARS ARE growing in the financial community about the precarious financial state of Costa Rica, which last week admitted to international banks that it had sold about $50m-worth of gold from its reserves.

This concern comes at a time when banks are still impatiently awaiting signature of an agreement between Costa Rica and the International Monetary Fund allowing the country to draw on an SDR 246m ($300m) extended fund facility credit.

Talks with the IMF on this credit, which would pave the way for fresh commercial borrowings, have apparently been more or less stalled, bankers believe, since the resignation in early April of Sr. Hernan Saenz as Finance Minister.

Successor

Now they have been told that his successor, Sr. Carlos Munoz, has also resigned leaving Costa Rica's Vice-President Sr. Jose Miguel Alfaro in charge of the Finance portfolio.

The extent of the country's predicament is shown by an official admission last month that the Central Bank's short-term liabilities in foreign exchange exceeded its medium-term currency assets by $95m.

Its gold holdings are now thought to have been virtually wiped out by the sale of bullion while official estimates put its international borrowings from private banks at about $875m at the end of last year.

Weather

UK TODAY

PRESSURE will remain low near the UK with troughs of low pressure expected to cross south eastern areas. Showers or longer periods of rain in most areas.

London, S. England, the Midlands, E. Anglia, Channel Isles
Cloudy, rain at imes, rather cool. Max. 14C (57F).

S. W. England, S. Wales, N. Wales, Isle of Man, Scotland, N. Ireland, N.E. England
Showers or longer periods of rain, bright intervals. Max. 13C (55F).

Outlook: Unsettled with near normal temperatures.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	19	66	London	C	12	54
Algiers	S	22	72	L. Ang.†	F	14	57
Amsdm.	C	13	55	Luxmbg.	C	13	55
Athens	S	20	68	Luxor	S	44	111
Bahrain	S	29	84	Madrid	F	18	64
Barclna.	S	19	66	Majorca	S	21	70
Belfast	C	11	52	Malaga	S	25	77
Belgrd.	S	21	70	Malta	S	23	73
Berlin	S	20	68	M'chstr	C	13	55
Biarritz	F	18	64	Melbne.	S	12	54
Bmghm.	C	11	52	Miami†	S	24	75
Blackpl.	C	13	55	Milan	F	18	64
Bordx.	F	17	63	Montrl.†	S	3	37
Boulgn.	F	14	57	Moscow	S	13	55
Bristol	F	11	52	Munich	R	11	52
Brussels	F	15	59	Nairobi	F	23	73
Cairo	S	39	102	Naples	F	20	68
Cardiff	R	12	54	Nwcstl.	S	14	57
Cas'b'ca	F	19	66	N York†	S	12	54
Chicg.†	C	8	46	Nice	S	19	66
Cologne	F	16	61	Nicosia	S	22	72
Cpnhgn.	F	18	64	Oporto	C	15	59
Corfu	S	23	73	Oslo	S	22	72
Denver†	R	8	46	Paris	C	14	57
Dublin	C	11	52	Perth	F	20	68
Dbrvnk.	S	19	66	Prague	R	16	61
Ednbgh.	F	15	59	Rykjvk.	F	13	55
Faro	S	18	64	Rhodes	C	21	70
Florence	F	20	68	Rome	S	21	70
Frankft.	C	14	57	Salzbrg.	R	10	50
Funchal	C	20	68	S'cisco†	C	10	50
Geneva	S	13	55	Singapr.	C	31	88
Gibrltr.	S	23	73	Stckhm.	S	19	66
Gl'sg'w	F	15	59	Strasbg.	F	15	59
G'nsey	F	12	54	Sydney	C	21	70
Helsinki	S	16	61	Tangier	S	19	61
H. Kong	S	27	81	Tel Aviv	S	31	88
Innsbrk.	R	8	46	Tenerife	S	19	66
Invrnss.	S	17	63	Tokyo	R	12	54
I.o.Man	C	12	54	T'r'nto†	S	4	39
Istanbul	C	17	63	Tunis	S	23	73
Jersey	F	11	52	Valencia	F	22	72
Jo'burg	R	14	57	Venice	S	21	70
L. Plms.	S	21	70	Vienna	C	20	68
Lisbon	C	17	63	Warsaw	S	24	75
Locarno	S	13	55	Zurich	S	14	57

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.

† Noon GMT temperatures.

Concern on future of Lloyd's Bill

BY JOHN MOORE

FEARS ARE growing in Lloyds' of London, the insurance market, that Lloyd's Private Bill before a House of Commons committee will need extensive revision and amendment if it is to succeed.

The committee readings of the Bill continue tomorrow, but last week Lloyd's faced criticism from leading legal counsel and Mr. Michael Meacher (Lab., Oldham W.), chairman of the committee, about key issues relating to new legislation.

Mr. Meacher told Mr. Peter Green, Lloyd's chairman, that "it does cause me some disturbance" that a recommendation by Lord Cromer, in a report prepared 12 years ago, that Lloyd's insurance brokers should divest themselves of the right to manage underwriting syndicates had not been implemented.

Sir Henry Fisher prepared a report, published last year and forming the basis of the proposed legislation, which again recommended that brokers should divest themselves of their underwriting interests to remove potential and actual conflicts of interest.

This proposal has not been included in the Lloyd's Bill.

Mr. Green admitted during cross examination last week that he had changed his mind about full commercial divestment. But he said some form of separation of broking and underwriting activities could be achieved without full commercial divestment.

The brokers' opposition to the divestment proposal was discussed at length by counsel.

Mr. Meacher, speculating about why the Cromer recommendation had never been acted upon, said: "I am not sure whether that was because of lethargy or the acute feelings on the issues that had been recommended."

The other major issue on which Lloyd's faces criticism is a controversial legal immunity which seeks to protect the society of Lloyd's officers from legal action from its members as they seek to recover damages because of negligence.

Mr. Peter Boydell, counsel for Lloyd's, told the committee that last November, when a general meeting had been called of Lloyd's members to vote on the Bill, "by a majority of 13,297 to 57 they agreed not to sue each other."

Mr Michael Mann, acting for two petitioners seeking major changes to the Bill, asked Mr. Peter Miller, a former Lloyd's committee member: "Do you know any other institution in English law which enjoys an immunity from action for its own negligence?" He added: "Not even the Crown since 1947 has enjoyed such immunity."

A group of Conservative MPs are planning to fight the immunity clause when it reappears in the Bill.

Some members of Lloyd's fear that unless the establishment responds to the criticisms the Bill may not be implemented in this session of Parliament. The Bill may have to be redrafted and submitted to the near 20,000 members of Lloyd's for approval if radical changes are required.

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